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Banco BMG S.A.

Interim financial statements consolidated in IFRS on June 30, 2022 and independent auditor's review report on the interim financial statements

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Banco BMG S.A.

Opinion

We have audited the accompanying consolidated interim financial statements of Banco BMG S.A. ("Bank"), which comprise the consolidated balance sheet as at June 30, 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated interim financial statements referred to above present fairly, in all material respects, the financial position of Banco BMG S.A. ("Bank") and its subsidiaries as at June 30, 2022, and the consolidated financial performance and the consolidated cash flows for the six-month period then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian standards on auditing and CT 04/2022 issued by IBRACON - Institute of Independent Auditors of Brazil. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

Our audit for the six-month period ended June 30, 2022 was planned and performed taking into consideration that the operations of the Bank and its subsidiaries had not changed significantly compared to the prior year. Accordingly, the Key Audit Matters, as well as our audit approach, mostly similar to those of the prior year.

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Banco BMG S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Provision for expected credit losses (Notes 2.9, 6 and 8)	
The credit operations of the Bank and its subsidiaries comprise mainly retail and wholesale operations. The provision for expected losses under IFRS 9 was selected as a key audit matter since it involves a high level of judgment by management in the classification of credits under IFRS 9. This, among other factors, is the basis for determining the provision using methodologies and processes relying on diverse assumptions, including the financial situation of the counterparty, expected future cash flows, estimated recovery amounts and realization of guarantees.	We updated our evaluation of the Bank's processes used for its analysis and assessment of IFRS 9 and, with the assistance of our specialists, designed audit procedures for testing compliance with the Standard. To assess the impairment methodology, we applied audit procedures including: (i) an analysis of the accounting policies and their consistency with IFRS 9; (ii) tested the database and assumptions; and (iii) tested the approval and validation processes and of estimates for losses and recoveries. We tested the credit operations for their classification into the respective stages, pursuant to the requirements of IFRS 9, as disclosed in the notes to the financial statements. Our tests indicated that the criteria and assumptions adopted by management provide a reasonable basis for determining the provision for expected losses as required by IFRS 9, in the context of the consolidated interim financial statements taken as a whole.
Deferred income tax and social contribution assets (Notes 2.15, 3(c) and 20)	
Deferred tax assets, substantially from income tax and social contribution carryforward losses and temporary differences, are recognized to the extent that management concludes it is probable that the Bank and its subsidiaries will generate sufficient future taxable profits which will be available for offset. Projections of taxable profits are made by management within a horizon of ten years, which relies on subjective assumptions. This matter remained an area of focus in our audit since the use of a different set of assumptions for projecting taxable profit could significantly change the estimated period of realization of tax credits, with a corresponding accounting effect, as well as conflict with the requirements of the Brazilian	Our audit procedures considered, among others, gaining an understanding of management's processes for determining and measuring tax credits to record assets in accordance with the accounting standards. Working together with our specialists, we analyzed the key assumptions made by management in its process of evaluating the prospects for realization of these assets based on projections of taxable profits of the Bank and its subsidiaries. We obtained the Bank's study of taxable profit projections as approved by the Board of Directors and, together with our specialists, compared the main assumptions to those used in prior years,

Why it is a Key Audit Matter	How the matter was addressed in the audit
Central Bank (BACEN) for recording these assets in the consolidated interim financial statements.	adjusted to the current economic scenario. We assessed the reasonableness of the information disclosed in the notes to the financial statements. Our tests indicated the studies for the realization of tax credits to be consistent with the methodologies used in the prior year. We consider the criteria and assumptions adopted by management to determine asset realization to be consistent with respect to the recording, maintenance of realization of the deferred tax asset.
Provisions and disclosures of contingent liabilities (Notes 2.14, 3(b) and 19)	
The Bank and its subsidiaries are party to labor, civil and tax administrative and judicial proceedings, inherent to the normal course of their business, filed by third parties and governmental bodies. Specific labor, tax and civil lawsuits are monitored individually by specialized external legal counsel to assist management in determining the risk of loss classification and in calculating the related outflow of resources for probable (provisioned) and possible (disclosure only) loss amounts. Other civil proceedings are assessed under the advice of legal counsel and provisions recorded and/or disclosed on the basis of internal accounting policies which consider the history of past average disbursements. The final settlement of the proceedings is typically a lengthy process involving discussions that can depend on case law and judicial precedence. This matter continued to be an area of focus in our audit due to the nature of the proceedings under discussion and the subjective aspects for determining the likelihood of losses.	Our audit procedures involved understanding the processes for the identification, evaluation, monitoring, measurement and recording of the provisions for lawsuits, including tests of amounts and the completeness of the database. We performed procedures, on a sample basis, to confirm, with the internal and external legal advisors responsible for monitoring the tax proceedings, the background information and progress of the proceedings. We obtained confirmations relating to the labor and civil proceedings from the external counsel and performed consistency tests comparing these to the Bank and its subsidiaries' databases and to information received from the legal departments. We analyzed the reasonableness of the likelihood of loss for the significant tax cases in the light of case law and legal developments. Our procedures indicated that management's bases for assessing the sufficiency of the provision and disclosures to be reasonable.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Impairment testing of goodwill (Notes 2.11, 3(d) and 10)	
The goodwill recorded in the Bank's intangible assets derives from past business combinations. IAS 36 requires that goodwill be tested for impairment at least annually. To perform impairment testing, management uses studies and projections which rely on assumptions of a subjective nature. We considered this to be a key audit matter because the use of a different set of assumptions for impairment testing could significantly alter the test results.	We updated our understanding of the internal controls over goodwill impairment testing and, with the assistance of our specialists, the assumptions used by management. We evaluated the main assumptions including the logical and arithmetical consistency for the calculation of projections. Through discussions with senior management we obtained an understanding of the annual process for preparing budgets and their approvals. We backtested past projections to establish the accuracy of the projection processes. We reviewed the calculations for sensitivity using a different set of discount rates and perpetuity factors. We consider that the assumptions and criteria adopted by management are in line with the methodologies adopted in the prior year and are consistent with respect to the impairment testing standards for goodwill.
Information technology environment	
The large volume of daily transactions carried out by the Bank requires a complex technology environment structure to process the transactions. Failure to update information technology and related supporting controls could lead to the incorrect processing of critical information used for decision-making and adversely affect operations. Because of the importance of this matter, the information technology environment continued to be an area of focus in our audit work.	Our audit procedures included updating our understanding of the Information Technology environment that supports the consolidated interim financial statements. We performed tests on the information technology general controls covering aspects related to access, alterations and systems development. We also tested the automated and manual technology-dependent controls and compensating controls for the main business processes. The audit procedures applied provided us with sufficient audit assurance to enable us to determine the nature, timing and extent of the audit procedures.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Material event notice - Investigation (Note 28(c))	
In the third quarter of 2020, the BMG Financial Group was subject to search and seizure measures under Operation "Macchiato", following developments from Operation "Descarte". The Board of Directors formed a "Special Committee" to investigate the facts. A law firm specialized in corporate investigations and a firm specialized in forensic audit were contracted. As a result of the investigative procedures, management has concluded that no cases of the alleged illegal acts suggested by the authorities were identified. However, investigations by the federal public authorities are still in progress and management is not able to conclude at this time if the results of the investigations may affect the interim financial statements of the Bank and its subsidiaries at June 30, 2022 or require further disclosures. This remained as a key audit matter for the six-month period due to the judgment required by management and the inherent uncertainties and limitations from this matter which could have a significant effect on the financial statements.	With the support of our internal forensic specialists, in ascertaining the facts, we applied the following audit procedures: (a) Discussed the bases for the allegations, scope of the investigation and findings with the Special Committee and with Bank's governance bodies; (b) Discussed the procedures adopted by management and follow-up of the main investigative actions; (c) Tested, on a sample basis, evidence/information collected in the investigation process; and (d) Obtained and read the lawyers' updated opinions on the potential tax and criminal implications to the Bank. We updated our understanding on the current status of the matters analyzed by the Special Committee and obtained updated confirmations from the lawyers as to the potential tax and criminal implications to the Bank. We consider the disclosures regarding this matter to be consistent with the information obtained.

Other matters

Statement of value added

The consolidated interim statement of value added for the six-month period June 30, 2022, prepared under the responsibility of the Bank's management, the presentation of which is required by the Brazilian corporate legislation for listed companies and presented as supplementary information for IFRS purposes, was submitted to audit procedures performed in conjunction with the audit of the Bank's consolidated interim financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, this interim statement of value added has been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and is consistent with the consolidated financial statements taken as a whole.

Banco BMG S.A.

Consolidated interim financial information related to the quarters ended June 30, 2022 and 2021 and the comparative information for the six-month period ended June 30, 2021

The consolidated interim financial information in the statement of income and of comprehensive income for the quarters ended June 30, 2022 and 2021, as well as the statement of changes in equity and of cash flows for the six-month period ended June 30, 2021, presented for purposes of comparison, were reviewed by us, in accordance with Brazilian Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity) and our review reports thereon dated August 11, 2022 and August 12, 2021, respectively, were issued without modifications. As the scope of a review is considerably less than that of an audit conducted in accordance with auditing standards, it does not provide a basis for expressing an audit opinion.

Other information accompanying the consolidated interim financial statements and the auditor's report

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

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

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

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

The Bank's management is responsible for the preparation and fair presentation of the consolidated interim financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with the governance are responsible for overseeing the consolidated interim financial reporting process of the Bank and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated interim financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated interim financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated interim financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Banco BMG S.A.

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

São Paulo, August 25, 2022

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

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Assinado por: EDISON ARISA PEREIRA:00699003881
CPF: 00699003881
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Index

MANAGEMENT REPORT

The Management of Banco Bmg S.A. and its subsidiaries ("Bank"), in accordance with the legal and statutory provisions applicable to financial institutions authorized to operate by the Central Bank of Brazil, is presenting the Interim Financial Statements under IFRS for the first semester ended June 30, 2022 along with the independent auditors' report.

Banco Bmg

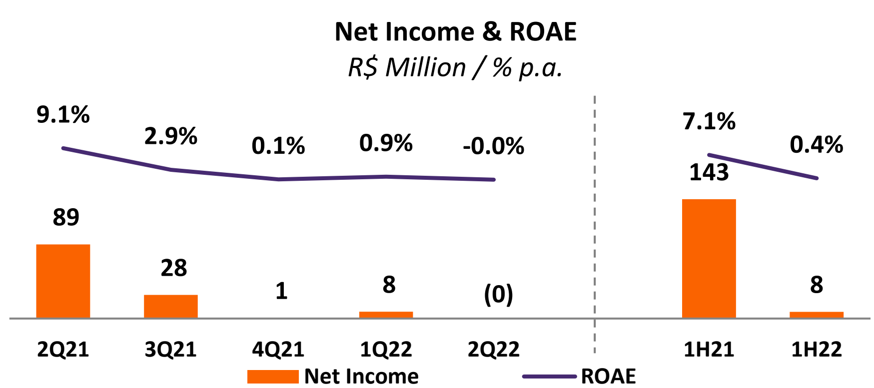
We're a complete bank! Our commitment is focused on people and their needs, so we continue to build a modern, agile, technological and, above all, human bank.

We are PHYGITAL: we act in a complementary manner on physical and digital channels, uniting the technology of the digital world with the human sensitivity of the physical world. Thus, we approach both more traditional clients, driven by the eye-to-eye relationship, and clients more open to innovation and change.

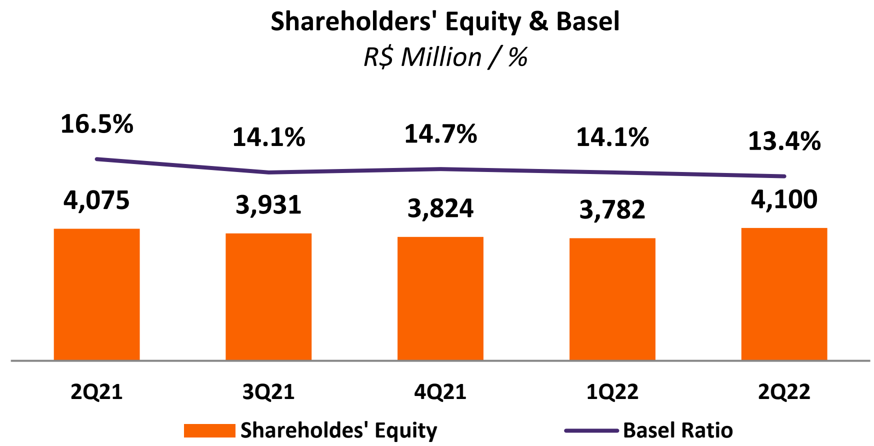
All this has positively impacted our product portfolio over the years. We went from a niche segment to meet the needs of millions of Brazilians and companies by expanding our portfolio of products and services. Our main activity verticals are: Retail Individual, Retail Company, Wholesale and Asset Management. This allows us to remain firm in our mission: to popularize financial services in Brazil.

Financial Performance

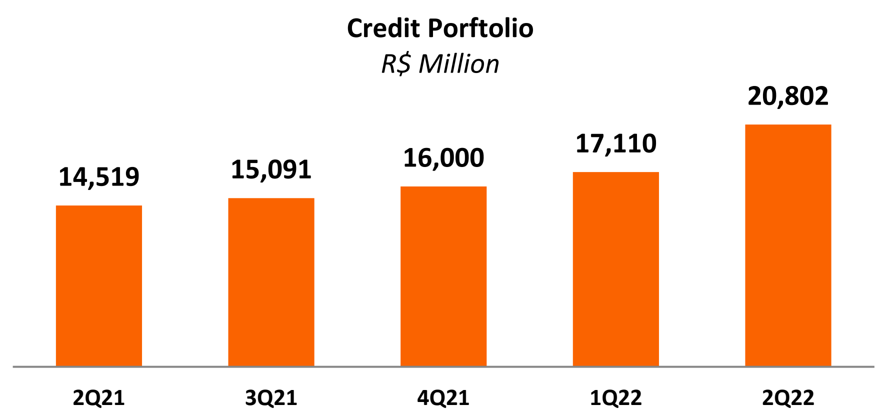
The net income in the first semester ended June 30, 2022 was R$ 8 million, compared to R$ 143 million in the same period of 2021, a reduction of 94.4%. The Return on Average Equity (ROAE) was 0.4% per year in the first semester ended June 30, 2022.



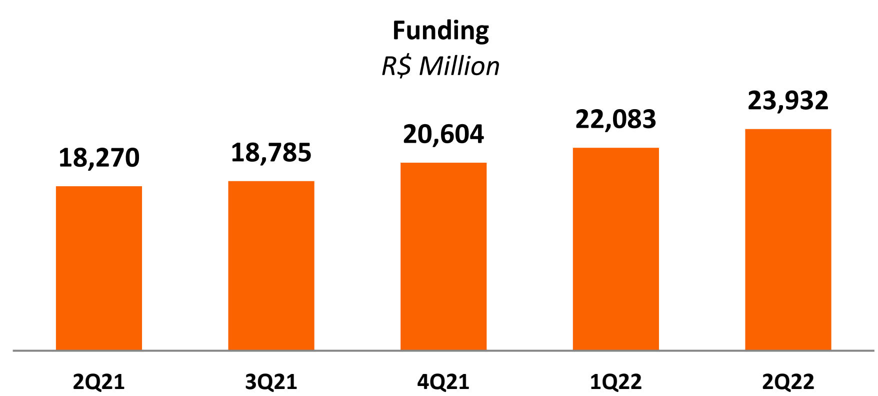
Consolidated Shareholders' Equity on June 30, 2022 amounted to R$ 4,100 million and the capitalization ratio of risk-weighted assets (Basel Ratio) was 13.4%. The Bank's strategy is to maximize the payment of the interest on shareholders' equity (ISE) in view of the tax benefits that accrue. In June 2022, we carried out the private issuance of R$ 251 million of Subordinated Financial Bills with terms of 10 and 12 years in the institutional market. The Bills are eligible for Basel composition and are reflected in Tier II Capital. The Bank provisioned Interest on Shareholders' Equity (ISE) in the amount of R$ 106.5 million in the first semester ended June 30, 2022.



The total consolidated portfolio ended June 30, 2022 with a balance of R$ 20,802 million, representing an increase of 43.3% compared to the same period of 2021.



The consolidated funding balance totaled R$ 23,932 million in the end of June 30, 2022, representing an increase of 31.0% compared to the same period of the previous year. Deposits, the major source of funding, accounts for 83.0% of funding.



In January 2022, after approval by the Central Bank, we completed the acquisition of 50% of AF Controle S.A., a holding company that owns the equity interest in Araújo Fontes Consultoria e Negócios Imobiliários Ltda. and AF Invest Administração de Recursos Ltda. In June 2022, a capital reduction was carried out in the subsidiary CBFacil Corretora de Seguros e Negócios Ltda. in the amount of R$50 million.

ESG Principles

At Bmg, there is a genuinely belief that it is only possible to prosper in business by building a prosperous economy, through ethical behavior and social and environmental development. That is why the Bank incorporated ESG principles into its way of doing business. In 2022, demonstrating the strategic nature and the commitment of the Executive Board and the Board of Directors to the topic, the ESG Executive Department was created, as well as the ESG 2022-2024 Plan, with an integrated strategy aligned to the business. The Plan is focused on four fronts: social equity, diversity and inclusion, care for the environment, and ethics and integrity. Among the actions planned for 2022 the following stand out: the creation of an Institute centralizing the social actions, a career development program for women, an internship program focused on social inclusion and diversity, and the hiring of people over 60 years of age to provide online customer service, giving opportunities to this group, which is still marginalized in the labor market. Having a clear and efficient ESG agenda fully aligned to the business is one of the main Bmg goals in this and the coming years. The Bank knows that an organization that is strong in ESG is more efficient, responsible and sustainable, and this is what allows Bmg to grow and prosper over the long term.

Corporate Governance

The Bank has a robust corporate governance structure. In addition to the obligations established in Level 1 of corporate governance of B3 S.A – Brasil, Bolsa, Balcão, the Bank adopted some of the obligations set forth in the Novo Mercado: (i) the 100% tag-along right, guaranteeing all shareholders the same price and conditions offered to the controlling shareholder in case of sale of control; (ii) simultaneous disclosure in Portuguese and English earnings results and material facts; and (iii) Board of Directors composed of 2 or 20% (whichever is greater) of Independent Members, and currently 38% is composed of independent members, including the vice-president. Furthermore, the Bank has: (i) an Audit Committee composed exclusively of independent members, (ii) four other committees directly subordinated to the Board of Directors, all with the presence of independent members; and (iii) a permanent Fiscal Council approved at the Shareholder's Meeting.

Based on best risk management practices, the Bank has developed policies, systems and internal controls to mitigate and control possible losses arising from exposure to the risks to which its activities are exposed, with a set of appropriate processes and routines applied to its operating modalities.

For more information on corporate governance, please visit: **www.bancobmg.com.br/ir**.

Relationship with Independent Auditors

The adopted policy adheres to the principles that preserve the independence of the auditor, in accordance with internationally accepted criteria, ie, the auditor should not audit his or her own work and neither perform managerial functions at his client nor promote its interests. As established by CVM Instruction 381, in the period ended June, 2022, the Bank did not contract and did not have services rendered by PricewaterhouseCoopers Auditores Independentes not related to the external audit, at a level higher than 5% of the total relative fees to external audit services.

Capital Management

The assessment of capital adequacy is made to ensure that the organization maintains a strong capital base to support its activities. It also considers a prospective vision, designed to anticipate possible changes in market conditions.

Acknowledgements

All these achievements reflect the firm commitment of the Shareholders and Management to continually strive to exceed expectations and always offer its clients high quality service and a healthy environment for its employees.

These gains have been possible thanks to our clients' support and trust and the dedicated efforts of our collaborators and partners/correspondents.

To them all, our deep appreciation.

BANK'S MANAGEMENT
São Paulo, August 11, 2022.

SUMMARY OF THE AUDIT COMMITTEE REPORT OF BANCO BMG

The Audit Committee is a statutory advisory body to the Board of Directors, currently composed of three independent members, appointed by the Board of Directors, and its activities are defined by CMN Resolution 4.910/2021, CVM Instruction 308/99 and other applicable legislation, in addition to the duties defined by BMG's by-laws and its Internal By-laws.

Activities During the Period

The Audit Committee held six (6) ordinary meetings in the first semester of 2022, all of them foreseen in its work program. Additionally, another three (3) meetings were held in the second semester of 2022 for the final evaluation of the financial statements for the base date of 6/30/2022, among other matters, and the last one was held jointly with the Board of Directors on this date. Always in attendance are two members of the Board of Directors, who are also members of the Audit Committee, as well as the President of the Institution and the Internal Audit Director.

Internal control systems and Risk Management

In the first half of 2022 BMG continued to improve and update its rules and procedures and strengthen its Corporate Governance process. The Committee monitored the work of the accounting, risk and capital management, Internal Controls and Compliance areas, pursuant to demands from the Central Bank of Brazil, the External Auditors, the Internal Audit and the Ombudsman, as well as the process for determining internal and external frauds and fraud prevention, and civil, tax and labor contingencies, in addition to the ranking of complaints issued by the Central Bank of Brazil.

Based on this set of information and its own inquiries and meetings, the Audit Committee assesses BMG's Internal Controls as effective, understanding that the efforts made in the recent semesters and those currently underway have effectively contributed to strengthening the governance process, by effective engagement at all levels of Management.

Internal Audit

Besides discussing and approving the formulation of the work plans for the area, the Audit Committee received all the reports of the work conducted, monitoring the implementation of the action plans recommended, met with the area and positively evaluates its scope, quality and level of independence, as well as satisfying all the principles of diligence, integrity and professional ethics.

No faults were identified referring to Internal Audit's work regarding compliance with legislation, regulations and internal rules that would be serious enough to put the Organization's business continuity in jeopardy.

External Audit

PricewaterhouseCoopers Auditores Independentes is the company responsible for auditing the BMG Financial Conglomerate's financial statements, and who must certify if they fairly present, their relative aspects, its effective economic and financial situation, pursuant to the accounting practices adopted in Brazil.

The Committee discussed the planning of its work and the main conclusions with the external auditors, considering them as appropriate, and there were no material facts that could compromise its independence.

Ombudsman

The Audit Committee monitors the Ombudsman's work in accordance with current regulations. The Committee believes that BMG has been making constant efforts to maintain the Ombudsman's structure at the appropriate level given the size and complexity of its operations and the level of demand from its clients.

Financial Statements

The Audit Committee analyzed the aspects involved in the preparation of the Financial Statements in BGRAAP and IFRS, Explanatory Notes, Financial Reports and the Management Report, with a base date of June 30, 2022, having also held a meeting with those responsible for preparing these documents and with the External Auditors, to obtain additional information and clarifications as deemed necessary.

In addition, the accounting practices used by BMG in the preparation of the financial statements were analyzed and are in line with current legislation and regulations, adequately portraying the Institution's economic and financial situation.

Conclusions

The Audit Committee did not receive, in this period, any report of non-compliance with the rules, absence of controls, act or omission by the Institution's Management that would indicate the existence of fraud, failures or errors that could jeopardize its continuity or the integrity of its financial statements.

Based on the above considerations, the Audit Committee, with due consideration to its responsibilities and the natural limitations of the scope of its activities, recommends to the Board of Directors the approval of the Financial Statements of the BMG Financial Group for the semester ended June 30, 2022.

São Paulo, August 11, 2022.

Dorival Dourado Jr

Manuela Vaz Artigas

Paulo Augusto de Andrade (Chairman and Specialist Member)

FISCAL COUNCIL OPINION

In the exercise of their legal and statutory duties, the members of Banco Bmg S.A. Fiscal Council, after examining the Management Report and the individual and consolidated Financial Statements for the first semester ended June 30, 2022, prepared in accordance with the International Financial Reporting Standards ("IFRS") rules issued by the "International Accounting Standard Board" ("IASB"), concluded that all the elements assessed, considering the report of the Independent Auditors Ltd., reflect the asset situation, the financial position and the activities developed by the Bank in the period.

São Paulo, August 11, 2022

Roberto Faldini
Coordinating Member

Fernando Antônio Fraga Ferreira
Member

Flávio de Sousa Franco
Member

BANCO BMG S.A.
CONSOLIDATED BALANCE SHEET
ON JUNE 30, 2022 AND AT DECEMBER 31, 2021

In thousands of reais (A free translation of the original in Portuguese)

Assets	Note	2022	2021
Cash and deposits on demand	**5**	**300,446**	**357,619**
Financial assets		**34,338,106**	**27,956,671**
At amortized cost		**28,862,554**	**15,796,357**
Compulsory deposits in the Central Bank	6	702,293	152,121
Money market	5	283,994	49,998
Deposit application	6	31,717	38,894
Marketable securities	6	7,846,059	103,543
Loans and other amounts with financial institutions	6	223,156	167,517
Loan and lease operations	6	20,802,116	15,999,893
Provision for the expected losses (impairment)	6	(1,825,804)	(1,591,076)
Sundry debtors	6	799,023	875,467
At fair value through other comprehensive income		**3,019,883**	**10,125,495**
Marketable securities	6	3,019,883	10,125,495
At fair value through profit or loss		**2,455,669**	**2,034,819**
Derivative financial instruments	6	439,904	394,715
Money market	6	2,015,765	1,640,104
Investments		**24,081**	**44,794**
Property and equipment	9	**81,849**	**82,296**
Intangible assets	10	**1,297,410**	**1,257,546**
Tax assets		**3,235,956**	**3,349,575**
Income tax and social contribution recoverable		75,849	72,332
Deferred income tax and social contribution, net	20	2,736,659	2,862,490
Other taxes and contributions recoverable		423,448	414,753
Judicial deposits	19	**351,914**	**365,684**
Available-for-sale non-current assets		**10,619**	**12,314**
Other assets	11	**1,078,752**	**823,871**
Total assets		**40,719,133**	**34,250,370**

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

BANCO BMG S.A.
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2022 AND AT DECEMBER 31,2021
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

Liabilities and equity	Note	2022	2021
Financial liabilities measured at amortized cost		**33,962,835**	**28,040,991**
Deposits from clients	12	20,153,919	17,211,181
Borrowings or transfers of financial assets	12	1,290,269	1,536,250
Borrowings and onlendings	12	604,954	562,573
Borrowings of securities and financial bills	12	2,324,208	1,937,649
Subordinated financial bills and debt	12	382,801	129,486
Repo operations	12	8,404,916	5,941,967
Other financial liabilities	12	801,768	721,885
At fair value through profit or loss		**154,283**	**65,332**
Derivative financial instruments	12	154,283	65,332
Provisions	**19**	**788,542**	**733,534**
Tax liabilities		**119,843**	**136,361**
Income tax and social contribution payable		71,507	67,319
Other taxes and contributions payable		48,336	69,042
Other liabilities	**21**	**1,594,013**	**1,450,252**
Total liabilities		**36,619,516**	**30,426,470**
Equity, capital and reserves attributable to stockholders and parent company		**4,072,017**	**3,800,783**
Capital	22(a)	3,742,572	3,742,572
Capital reserves		8,210	9,562
Other accumulated comprehensive income	22(b)	76,333	(296,194)
Revenue reserves	22(c)	521,557	527,944
Accumulated deficit		(276,193)	(182,847)
Carrying value adjustment		(462)	(254)
Non-controlling interests		**27,600**	**23,117**
Total equity		**4,099,617**	**3,823,900**
Total liabilities and equity		**40,719,133**	**34,250,370**

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

BANCO BMG S.A.
CONSOLIDATED STATEMENT OF INCOME
SIX-MONTH PERIOD ENDED JUNE 30
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Interest income and similar earnings	24 (a)	1,579,760	2,938,100	1,066,054	2,135,446
Interest cost and similar expenses	24 (a)	(790,334)	(1,776,385)	(534,875)	(795,972)
Net interest revenue		**789,426**	**1,161,715**	**531,179**	**1,339,474**
Income from services provided	25	38,987	64,723	25,637	44,490
Equity in the results of associates		5,103	6,023	8,919	19,734
Net gain (loss) from financial assets and liabilities	24 (b)	(3,618)	379,203	188,499	107,117
Provision for impairment of financial assets	8 (e)	(397,792)	(725,970)	(186,471)	(483,305)
Recovery of loans written off as losses		59,746	87,031	40,918	76,194
General and administrative expenses	24 (c)	(399,908)	(764,135)	(347,594)	(691,685)
Tax expenses	24 (d)	(51,892)	(101,024)	(42,287)	(80,736)
Other operating income (expenses)	24 (e)	(127,027)	(258,641)	(139,174)	(267,065)
Other non-operating income	28(d)	9,042	18,400	(5,939)	22,321
Profit (loss) before income tax and social contribution		**(77,933)**	**(132,675)**	**73,687**	**86,539**
Current income tax and social contribution	20 (b)	(36,709)	(68,082)	(16,676)	(22,585)
Deferred income tax and social contribution	20 (b)	114,559	208,835	32,014	79,190
Profit for the period		**(83)**	**8,078**	**89,025**	**143,144**
Attributable to:					
Parent company of the bank		(699)	6,588	88,990	142,642
Non-controlling Interests		616	1,490	35	502
Basic and diluted earnings per share (in *reais*)	**23**	(0.0012)	0.0113	0.1516	0.2436

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

BANCO BMG S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX-MONTH PERIOD ENDED JUNE 30
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Profit for the period		**(83)**	**8,078**	**89,025**	**143,144**
Other components of comprehensive income Items to be subsequently reclassified to profit or loss					
Changes in fair value through other comprehensive income - marketable securities		(101,676)	(99,771)	(10,272)	(283,011)
Deferred income tax and social contribution on other comprehensive income - marketable securities		48,369	47,470	4,882	134,590
Reclassification of securities "at fair value through other comprehensive income" to "at amortized cost" (note 2.7.1 (a))		388,193	388,193		
Cash flow hedge		55,624	69,857	(8,950)	70,757
Deferred income tax and social contribution on other comprehensive income - cash flow hedge		(26,453)	(33,222)	4,257	(33,650)
Change in other comprehensive income for the period	**22 (b)**	**364,057**	**372,527**	**(10,083)**	**(111,314)**
Total comprehensive income for the period		**363,974**	**380,605**	**78,942**	**31,830**
Attributable to					
Parent company of the bank		363,358	379,115	78,907	31,328
Non-controlling interests		616	1,490	35	502

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

BANCO BMG S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX-MONTH PERIOD ENDED JUNE 30

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

	Capital	Capital reserves	Revenue reserve	Other comprehensive income (loss)	Treasury stock	Accumulated Profits or Losses	Total	Non-controllin g interests	Total
On December 31, 2020	**3,742,572**	**5,680**	**506,943**	**7,606**	**(13,797)**	**(110,596)**	**4,138,408**	**14,020**	**4,152,428**
Profit for the six-month period						142,642	**142,642**	502	**143,144**
Other comprehensive income				(111,314)			**(111,314)**		**(111,314)**
Total comprehensive income for six-month period				**(111,314)**		**142,642**	**31,328**	**502**	**31,830**
Changes in non-controlling interests								6,834	**6,834**
Treasury shares (note 22(a)))					(25,774)		**(25,774)**		**(25,774)**
Treasury shares cancelled (note 22(a)))			(36,912)		36,912				
Realization of reserves			(84,148)	(26,448)		110,596			
Appropriation of profit for six-month period									
Recognition of share-based payment plans		133			2,405		**2,538**		**2,538**
Interest on capital (note 22(d))			(92,451)				**(92,451)**		**(92,451)**
Total transactions with stockholders		**133**	**(213,511)**	**(26,448)**	**13,543**	**110,596**	**(115,687)**	**6,834**	**(108,853)**
On June 30, 2021	**3,742,572**	**5,813**	**293,432**	**(130,156)**	**(254)**	**142,642**	**4,054,049**	**21,356**	**4,075,405**
On December 31, 2021	**3,742,572**	**9,562**	**527,944**	**(296,194)**	**(254)**	**(182,847)**	**3,800,783**	**23,117**	**3,823,900**
Profit for the six-month period						6,588	**6,588**	1,490	**8,078**
Other comprehensive income				(15,666)			**(15,666)**		**(15,666)**
Reclassification of securities "at fair value through other comprehensive income" to "at amortized cost"				388,193			**388,193**		**388,193**
Total comprehensive income for six-month period				**372,527**		**6,588**	**379,115**	**1,490**	**380,605**
Changes in non-controlling interests								2,993	**2,993**
Capital gain			179		(179)				
Treasury shares					(4,965)		**(4,965)**		**(4,965)**
Recognition of share-based payment plans		(1,352)			4,936		**3,584**		**3,584**
Appropriation of profit for six-month period									
Transfer from reserves			99,934			(99,934)			
Interest on capital (note 22(d))			(106,500)				**(106,500)**		**(106,500)**
Total transactions with stockholders		**(1,352)**	**(6,387)**		**(208)**	**(99,934)**	**(107,881)**	**2,993**	**(104,888)**
On June 30, 2022	**3,742,572**	**8,210**	**521,557**	**76,333**	**(462)**	**(276,193)**	**4,072,017**	**27,600**	**4,099,617**

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

BANCO BMG S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
SIX-MONTH PERIOD ENDED JUNE 30
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	2022	2021
Cash flows from operating activities		
Profit for the period attributable to controlling stockholders	6,588	142,642
Adjustment to profit attributable to the controlling stockholders		
Recognition of share-based payment plans	(1,352)	2,538
Provision for impairment of financial assets	725,970	483,305
Equity in the (earnings) loss of subsidiary	(6,023)	(19,734)
Depreciation	9,490	8,668
Amortization	33,846	25,825
Amortizations of other intangible assets	315	27,261
Foreign exchange variations of funding	1,366	9,741
Provisions for contingent liabilities	55,008	85,197
Equity Income		(30,871)
Result on disposal of unused assets		6,133
Deferred income tax and social contribution	(208,835)	(79,190)
Effect of exchange rate changes on cash and cash equivalents	8,128	(3,855)
Adjusted profit	**624,501**	**657,660**
Changes in working capital		
(Increase) in compulsory deposits in the Central Bank	(550,172)	(6,803)
(Increase) Decrease in financial assets measured in fair value through profit or loss	(375,661)	(113,653)
Decrease (Increase) in financial assets at fair value through other comprehensive income	7,478,138	(2,273,232)
(Increase) in financial assets measured at amortized cost	(13,007,998)	(610,688)
(Increase) in taxes and contributions recoverable	(12,213)	2,831
(Increase) in deferred taxes and contributions	334,667	(104,201)
Decrease in available-for-sale non-current assets	(3,008)	36,236
(Increase) in other assets	(193,141)	(22,580)
(Increase) Decrease in judicial deposits	13,770	(40,527)
(Decrease) Increase in financial liabilities at fair value through profit or loss	43,762	(890)
Increase in financial liabilities at amortized cost	5,920,478	3,275,057
Increase in current income tax and social contribution	38,463	10,432
(Decrease) Increase in other liabilities/ provisions	(49,932)	(375,518)
Cash from operations	**261,654**	**434,124**
Income tax and social contribution paid	(54,981)	(23,411)
Net cash (used in) operating activities	**206,673**	**410,713**
Cash flows from investing activities		
Capital decrease in subsidiary	50,000	
Acquisition of intangible assets	(69,328)	(51,753)
Acquisition of shareholding	(85,000)	(11,029)
Acquisitions of property and equipment	(12,845)	(15,546)
Disposal of property and equipment	3,802	15,731
Net cash (used in) investing activities	**(113,371)**	**(62,597)**
Cash flows from financing activities		
Issuance of equity-eligible debt instruments	250,600	
Acquisition of Own Shares	(5,144)	(25,774)
Interest on share equity paid out	(158,290)	(90,212)
Increase (Decrease) in non-controlling interests in subsidiaries	4,483	7,335
Net cash used in financing activities	**91,649**	**(108,651)**
Increase (Decrease) in cash and cash equivalents	**184,951**	**239,465**
Cash and cash equivalents at the beginning of the semester (note 5)	**407,617**	**163,146**
Effect of exchange rate changes on cash and cash equivalents	**(8,128)**	**3,855**
Cash and cash equivalents at the end of the semester (note 5)	**584,440**	**406,466**
Increase (Decrease) in cash and cash equivalents	**184,951**	**239,465**

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

1. Operations

Banco BMG S.A. ("Bank" or "Institution") and its subsidiaries (together, "the Group" or "Consolidated") is authorized to operate as a multiple service bank with commercial, credit, financing and investment portfolios. The benefit of the services provided between these companies and the costs of the operational and administrative structures are absorbed, in accordance with the practicability and reasonability of having they allocated to them, together and individually, and they are deemed adequate by the management of the institutions.

The Group is composed of the following subsidiaries: BMG Leasing S.A., BMG Bank Cayman Ltd., Banco Cifra S.A., Banco BCV S.A., BMG S.A. Distribuidora de Títulos e Valores Mobiliários, CBFácil Corretora de Seguros e Negócios Ltda. and its subsidiary ME Promotora de Vendas Ltda., Help Franchising Participações Ltda., BMG Participações em Negócios Ltda. and its subsidiary BMG Seguros S.A., Romeu Fundo de Investimento em Cotas de Fundos de Investimento Multimercado and Fundo de Investimento em Direitos Creditórios NP Esportes. Detailed information about the subsidiaries is described in the consolidation note.

As approved by the Central Bank of Brazil, through the official letter of November 10, 2021, we communicate the change in the business purpose of Cifra Financeira SA to the "society distributing bonds and securities", adopting the new name BMG S.A. Distribuidora de Títulos e Valores Mobiliários.

Banco BMG S.A. ("BMG" or "Bank"), incorporated as a Publicly Traded Company, controlled by the Pentagna Guimarães Family, and located at Avenida Presidente Juscelino Kubitscheck, nº 1.830, São Paulo/SP, Brazil.

In December 2018, the Bank obtained its register as a public company with the Brazilian Securities and Exchange Commission (CVM).

The consolidated financial statements prepared under the IFRS were completed and approved by the Bank's management on August 11, 2022.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of Banco BMG S.A. and its subsidiaries were prepared taking into consideration the provisions in Resolution nº 4,818/20 of the National Monetary Council ("CMN"), which requires the preparation of consolidated annual financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as approved by the International Accounting Standards Board ("IASB"), therefore, the interim statements for the quarter and semester ended June 30, 2022 were prepared in accordance with IAS 34 - Interim Financial Statements, and show all relevant information specific to the interim financial statements, and only them, which are consistent with those used by the administration in its management.

For the purpose of disclosing these financial statements, the Group observes the provisions of IAS 1 - Presentation of the Financial Statements, presenting the balance sheet in order of liquidity and the segregation between current and non-current in an explanatory note.

The financial statements have been prepared under the historical cost convention and adjusted to reflect financial assets and liabilities (including derivative financial instruments) measured at fair value, as required by IFRS 9, in accordance with the business model.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires the management of the Group to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

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

2.2 Consolidation

(a) Consolidated financial statements

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) *Subsidiaries*

Subsidiaries are all entities over which the Group has the control. The Group controls an entity when it is exposed to or is entitled to its variable returns arising from its involvement with the entity and has the ability to affect such returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date that control ceases.

The identifiable assets acquired and liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values on the date of the acquisition. The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. The measurement of the non-controlling interest is determined upon each acquisition made. Acquisition-related costs are accounted for in profit or loss for the year as they are incurred.

The consolidated companies and their interests are presented below:

Investees	Country of incorporation	Activity	Interest (%) 2022	Interest (%) 2021
BMG Leasing S.A.	Brazil	Leasing	99.99	99.99
BMG Bank Cayman Ltd.	Cayman Islands	Banking	100	100
Banco BCV S.A.	Brazil	Banking	100	100
Banco Cifra S.A.	Brazil	Banking	100	100
BMG S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	Securities distributor	100	100
ME Promotora de Vendas Ltda.	Brazil	Business intermediation	80	80
BMG Soluções Eletrônicas S.A.	Brazil	E-commerce	99.38	99.38
Help Franchising Participações Ltda.	Brazil	Business intermediation	99.98	99.98
BMG Participações em Negócios Ltda.	Brazil	Holding company	92.99	92.99
BMG Seguros S.A.	Brazil	Insurance	70	70
CBFácil Corretora de Seguros e Negócios Ltda.	Brazil	Business intermediation	99.99	99.99
CMG Corretora de Seguros	Brazil	Insurance	60	60

Credit Rights Investment Fund	Interest % 2022	Interest % 2021
Fundo de Investimento em Direitos Creditórios NP Esportes	100	100
Investment Fund in Quotas of Multimarket Investment Funds	**2022**	**2021**
Romeu Fundo de Investimento em Cotas de Fundos de Investimento Multimercado	100	100

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

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

Investments, balance sheet account balances, and profit or loss from transactions between the Bank and its direct and indirect subsidiaries have been eliminated in the consolidated financial statements.

Income arising from assigned credit operations is recorded in the "Interest income and similar earnings" account in the statement of income and the financing cost is recorded in the "Interest cost and similar expenses" account.

(ii) Transactions with non-controlling stockholders

The Group treats transactions with non-controlling stockholders as transactions with equity owners of the Group. In purchases of non-controlling interests, the difference between any consideration paid and the share acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity in the "Carrying value adjustment" account.

2.3 Segment reporting

In accordance with IFRS 8, an operating segment is a component of an entity that performs business activities from which revenue can be obtained and in which expenses can be incurred, whose profit or loss can be assessed by the entity's main operational decision-maker, and in relation to which different financial information is available.

The main operational decision maker, responsible for the allocation of funds and the assessment of the performance of the operating segments, is the Executive Board together, which is also responsible for making the Group's strategic decisions.

The management separate this information into two operating segments: Retail Banking and Wholesale Banking.

These operating segments are described below:

- Retail Banking: profit or loss of the Retail Banking segment arises from the offer of banking products and services to individuals.
- Wholesale Banking: profit or loss of the Wholesale Banking segment arises from the offer of banking products and services to legal entities.

Profit or loss by operating segment is presented in the table below:

					2022
	Retail Banking	**Wholesale Banking**	**Total BRGAAP(i)**	**IFRS adjustments**	**Consolidated under IFRS**
Financial margin	1,331,298	17,274	1,348,572	91,322	**1,439,894**
Service revenue	49,765	1,239	51,004	13,719	**64,723**
Profit from financial intermediation	**1,381,063**	**18,513**	**1,399,576**	**105,041**	**1,504,617**
Expense of allowance for loan losses	(509,154)	(15,424)	(524,578)	(201,392)	**(725,970)**
Recovery of credits written-off as losses	81,501	5,530	87,031		**87,031**
Financial gross income	**953,410**	**8,619**	**962,029**	**(96,351)**	**865,678**
Total expenses	(867,298)	(102,922)	(970,220)	(52,556)	**(1,022,776)**
Equity in the results of associates	38,707	(6,955)	31,752	(25,729)	**6,023**
Income (loss) from operations	**124,819**	**(101,258)**	**23,561**	**(174,636)**	**(151,075)**
Non-operating (loss)		109	109	18,291	**18,400**
Income tax and social contribution	(38,750)	115,017	76,267	64,486	**140,753**
Profit or loss	**86,069**	**13,868**	**99,937**	**(91,859)**	**8,078**

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

					2021
	Retail Banking	**Wholesale Banking**	**Total BRGAAP(i)**	**IFRS adjustments**	**Consolidated under IFRS**
Financial margin	1,028,927	330,372	1,359,299	6,556	1,365,855
Service revenue	28,385	7,181	35,566	8,924	44,490
Profit from financial intermediation	**1,057,312**	**337,553**	**1,394,865**	**15,480**	**1,410,345**
Expense of allowance for loan losses	(380,765)	(44,747)	(425,512)	(57,793)	(483,305)
Recovery of credits written-off as losses	68,213	7,981	76,194		76,194
Gross finance result	**744,760**	**300,787**	**1,045,547**	**(42,313)**	**1,003,234**
Total expenses	(655,294)	(331,446)	(986,740)	27,990	(958,750)
Equity in the results of associates	5,001	13,839	18,840	894	19,734
Income (loss) from operations	**94,467**	**(16,820)**	**77,647**	**(13,429)**	**64,218**
Non-operating (loss)		24,738	24,738	2,417)	22,321
Income tax and social contribution	1,563	47,342	48,905	7,700	56,605
Profit or loss	**96,030**	**55,260**	**151,290**	**(8,146)**	**143,144**

(i) Result calculated in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("'the functional currency'"). The consolidated financial statements are presented in Brazilian *reais* (R$), which is the Bank's functional currency and also the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange variations arising from the settlement of such transactions and from the translation of monetary assets and liabilities into foreign currency at the closing foreign exchange rates are recognized as gain or losses in profit or loss for the year in the "Other operating income and expenses" account.

2.5 Cash and equivalents

Cash and cash equivalents include cash in hand, bank deposits and short-term highly liquid money market investments, with maturities of 90 days or less on the date of acquisition, which are used by the Group to manage its short-term commitments, with immaterial risk of change in value.

2.6 Sales with repurchase commitment and purchases with resale commitment

The Group carries out purchase transactions with resale commitment ("resale commitment") and sale transactions with repurchase commitment ("repurchase commitment") of financial assets. The resale commitment and repurchase commitment are accounted for in the "Money market investments" and "Money market funding" accounts, respectively.

The amounts invested in transactions with resale commitment and the amounts raised in transactions with repurchase commitment are recorded initially in the balance sheet at the amounts received in advance or raised and they are cash subsequently recorded at amortized cost. The difference between the sale price and the repurchase price is treated as interest and it is recognized during the term of the agreement using the effective interest method. The interest accrued in transactions with resale commitment and the interest incurred in transactions with repurchase commitment is recorded in the "Interest income and similar earnings" and "Interest cost and similar expenses" accounts, respectively.

The financial assets accepted as guarantees in resale commitments can be used, when allowed by the terms of the agreements, as guarantees of repurchase commitments or they can be sold.

In Brazil, the control of the custody of financial assets is centralized and the ownership of the resale commitment and repurchase commitment is temporarily transferred to the buyer. We closely monitor the market value of the financial assets that back the transactions with repurchase commitment and we adjust the amount of the guarantee when appropriate.

The financial assets offered in guarantee to the counterparties are also maintained in the consolidated financial statements. When the counterparty is entitled to sell or use as guarantee the marketable securities offered in guarantee, these securities are reclassified in the balance sheet to an appropriate class of financial assets.

2.7 Financial assets and liabilities

2.7.1 Recognition and measurement

(a) Classification and measurement of financial assets

The Group started to apply IFRS 9 – Financial instruments and classify its financial assets in the following measurement categories:

(i) Amortized cost;
(ii) Fair value through other comprehensive income;
(iii) Fair value through profit or loss.

The subsequent classification and measurement of financial assets will depend on the business model under which cash flows are managed and their characteristics – SPPI Test (Solely Payment of Principal and Interest Test).

The business model refers to how the Bank manages its financial assets to generate cash flows. The business model determines whether the cash flows result from the recognition of contractual cash flows, sale of assets or both. Financial assets can be managed for the purpose of: i) obtaining contractual cash; ii) obtaining contractual cash flows and sale; or iii) others.

The assessment of the business models takes into consideration the risks that affect the performance of the business model, how the business managers are compensated, and how the performance of the business model is assessed and reported to management. If cash flows are realized differently from expectations, the classification of the remaining financial assets maintained in this business model is not changed.

When the financial asset is maintained in the business models i) and ii), the application of the SPPI test is necessary.

SPPI Test: assessment of the cash flows generated by the financial instrument for the purpose of verifying whether they consist only of the payment of the principal and interest. To comply with this concept, cash flows must include only a consideration for the value of money in time and the credit risk.

If the contractual terms introduce an exposure to risks or volatility in cash flows, such as exposure to changes in the prices of equity instruments or commodity prices, the financial asset is classified as measured at fair value through profit or loss. Hybrid contracts must be assessed as a whole, including all the embedded characteristics. A hybrid contract that contains an embedded derivative is accounted for on a joint basis, that is, the entire instrument is measured at fair value through profit or loss.

(i) Amortized cost

The amortized cost is the amount for which the financial asset or liability is measured upon initial recognition, plus the adjustments made using the effective interest method, less the repayment of the principal and amortization of interest, adjusted for any provision for expected credit loss.

The assets measured at the amortized cost are managed to obtain the cash flows made up only of payments of the principal and interest (SPPI Test).

Assets are recognized initially at fair value plus transaction costs and they are subsequently measured at the amortized cost using the effective interest method.

Interest, including the amortization of premiums and discounts, are recognized in the consolidated statement of income in the “Interest income and similar earnings" account.

In June 2022 the Bank reclassified financial assets from the category "financial assets at fair value through other comprehensive income" to "amortized cost," as a reflection of the reclassification to accumulated loss previously recognized in other comprehensive income, which was transferred from equity and adjusted against the fair value of the financial asset.

(ii) Financial assets at fair value through other comprehensive income

- Assets managed to obtain the cash flows made up only of payments of the principal and interest (SPPI Test) and for sale;

- Initially and subsequently recognized at fair value plus transaction costs; and

- Unrealized gains and losses (except for the expected credit loss, foreign exchange differences, dividends and interest income) are recognized, net of the applicable taxes, in the “Accumulated comprehensive income” account.

(iii) Financial assets at fair value through profit and loss and financial assets designated at fair value

- Assets that do not meet the classification criteria of the previous categories; or assets designated upon initial recognition as at fair value through profit or loss to reduce “accounting mismatches”;

- Initially and subsequently recognized at fair value;

- Transaction costs are directly recorded in the Statement of income; and

- Gains and losses arising from changes in fair value are recognized in the “Net gain (loss) from investments in securities and derivatives” account.

The Group irrevocably designates financial assets at fair value through profit and loss upon initial recognition (fair value option) when the option significantly reduces or eliminates measurement or recognition inconsistencies that, otherwise, could result from the measurement of assets and liabilities or the recognition of gains and losses on these assets and liabilities on different bases.

Effective interest rate

The effective interest rate is the rate that discounts future estimated receipts or payments over the expected life of the financial asset or liability. For the calculation of the effective interest rate, cash flows are estimated taking into consideration all contractual terms of the financial instrument, but not the future credit loss. The calculation includes all commissions paid or received between the parties to the contract, the transaction costs and all other premiums or discounts. Interest income is calculated by applying the effective interest rate on the gross carrying amount of the financial asset.

In the case of financial assets with recovery problems, the adjusted effective interest rate is applied (considering the expected credit loss) at the amortized cost of the financial asset.

(iv) Financial liabilities at amortized cost

The financial assets that are not classified at fair value through profit or loss are classified in this category and, initially, they are recognized at fair value and, subsequently, they are measured at the amortized cost using the effective interest method. Interest cost is presented in the consolidated statement of income in “Interest cost and similar expenses”.

Borrowings or onlendings of financial assets represent the credit assignment obligations with or without co-obligation. The amounts are represented at the present value of future financial commitments, decapitalized at the original credit assignment rate.

(b) Hedging

The Group adopts hedge accounting and chose to adopt IFRS 9, continuing to apply the IAS 39 criteria, as allowed in the initial adoption.

In accordance with IAS 39, to qualify as accounting hedge, all the following conditions must be met:

- hedging relationship is at its inception formally designated and documented, together with entity’s risk management objective and strategy for undertaking the hedge.

- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk (consistently with the documentation) for this hedging relationship in particular.

IAS 39 then describes the rules for three types of hedging: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. The bank does not have net investment hedge in operations abroad.

The fair values of the many derivative instruments used for hedging purposes are disclosed in Note 7. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining period to maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining period to maturity of the hedged item is less than 12 months.

(i) Fair value hedge

For the derivative financial instruments that are designated and qualify as fair value hedge, the following practices apply:

a) the gain or loss resulting from the new measurement of the hedging instrument at fair value should be recognized in profit or loss; and

b) the gain or loss resulting from the hedged item attributable to the effective portion of the hedged item should adjust the carrying amount of the hedged item that will be recognized in profit or loss.

When the derivative expires or is sold, when the hedge no longer meets the criteria for hedge accounting or when the entity revokes the designation, the entity must prospectively discontinue the hedge accounting. Additionally, any adjustment to the carrying amount of the hedged item must be amortized in profit or loss.

(ii) Cash flow hedge

The effective portion of the changes in the fair value of the derivative financial instruments that are designated and qualified as a cash flow hedge is recognized in other comprehensive income in the “Carrying value adjustment” account. The gain or loss relating to the ineffective portion is immediately recognized in the statement of operations within “Interest and similar proceeds income and expenses”.

The amounts accumulated in other comprehensive income are realized in the statement of income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). For the derivative financial instruments that are designated or qualify as cash flow hedge, the effective portion of the gains or losses on the derivative is directly recorded in other comprehensive income and reclassified to profit or loss in the same period or periods when the hedged transaction affects profit or loss. The portion of gains and losses on the derivative financial instruments that represent the ineffective portion or the components of the *hedge* excluded from the effectiveness analysis is recognized in profit or loss. The amounts originally recognized in the accumulated comprehensive income and subsequently reclassified to profit, or loss are recognized in the corresponding income or cost line in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in comprehensive income and is recognized in profit or loss when the transaction is recognized in the statement of income. When a transaction is no longer expected to occur, the accumulated gain or loss that was reported in other comprehensive income is immediately transferred to the statement of income within “Interest income and similar earnings” and “Interest cost and similar expenses”.

(c) Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and this does not change substantially its terms and conditions, the Group does not write them off. However, the gross carrying amount of this financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted by the original effective interest rate. Any costs or fees incurred adjust the modified carrying amount and are amortized over the remaining term of the financial asset. If, on one hand, the renegotiation or modification substantially changes the terms and conditions of the financial asset, the Group writes down the original asset and recognizes a new one. The date of the renegotiation is, consequently, considered as the date of initial recognition of the new asset for the purpose of calculating the expected credit loss, including determining significant increases in credit risk. The Group also assesses whether the new financial asset can be considered as originated or purchased with credit recovery problems, particularly when the renegotiation was motivated by financial difficulties of the debtor. Differences between the carrying amount of the original asset and the fair value of the new asset are immediately recognized in the Statement of income.

(d) Transfer of financial assets

Financial assets are derecognized when the rights to receive cash flows expire or when all risks and rewards of ownership are substantially transferred, and such transfer qualifies for derecognition in accordance with the requirements in IFRS 9. If it is not possible to identify the transfer of all risks and rewards, the control must be assessed to determine if the continuous involvement related to the transaction does not prevent the derecognition. If, during the assessment, the retention of risks and rewards is not characterized, the financial asset remains recorded, and a liability is recognized for the consideration received.

(i) Derecognition of financial assets

When there are no reasonable expectations of recovery of a financial asset, taking into consideration the historical curves, the financial asset is totally or partially derecognized together with the reversal of the provision for expected credit loss, with no effects on the Group’s statement of income. The subsequent recoveries of the amounts previously derecognized are accounted for as income in the statement of income.

(e) Fair value

Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in an arm’s length transaction between market participants on the measurement date.

(f) Equity instruments

An equity instrument is any contract that provides a residual participation in the assets of an entity, after the deduction of all of their liabilities, such as shares and quotas.

The Group subsequently measures all of its equity instruments at fair value through profit or loss, except when management chooses, upon initial recognition, to irrevocably designate an equity instrument as at fair value through other comprehensive income if it is maintained for a purpose other than to generate profit. When this choice is made, the gains and losses in the fair value of the instrument are recognized in Accumulated comprehensive income and are not subsequently reclassified to the statement of income, even upon sale. Dividends continue to be recognized in the statement of income when the Group's right is recognized.

Gains and losses in equity instruments measured at fair value through profit or loss are accounted for in the statement of income.

2.8 Financial lease operations (as lessor)

When the assets are the subject matter of a financial lease, the present value of the payments is recognized as a receivable in the consolidated balance sheet in the "Loan and lease operations" account.

The initial direct costs, when incurred by the Group, are included in the initial measurement of the lease receivables, reducing the amount of the income recognized over the term of the lease. These initial costs often include commissions and attorneys' fees.

The recognition of interest income reflects a constant return rate on the Group's net investment and takes place in the consolidated statement of income in the "Interest income and similar earnings" account.

2.9 Provision for impairment of financial assets

Expected credit loss

The Group assesses the expected credit loss associated with financial assets measured at amortized cost or fair value through other comprehensive income, with loan commitments and with financial guarantee contracts on a prospective basis. The provision for expected credit loss is recognized in the Statement of Income on a monthly basis.

Measurement of expected credit loss

- Financial assets: the loss is measured at the present value of the difference between the contractual cash flows and the cash flows the Bank expects to receive discounted at the effective rate charged;
- Loan commitments: the loss is measured at the present value of the difference between the contractual cash flows that would be due if the loan was contracted, and the cash flows the Bank expects to receive;
- Financial guarantees: the loss is measured by the difference between the payments expected to reimburse the counterparty and the amounts expected to be recovered by the Bank.

The expected loss estimation methodology considers the use of the following factors:

- Exposure to Default (EAD): is the value exposed to credit risk, using as reference the outstanding balance of the contracts and the possibility of using the approved limits;
- Default Probability (PD): it is defined as the probability of the counterparty not honoring its contractual payment obligations, using historical data and registration information of customers and contracts for estimation;
- Default Loss (LGD): is the percentage of exposure that is not expected to be recovered in case of default, using for estimation historical parameters of delay levels, guarantees of operations and coverage by credit insurance.

The Group assesses in every reporting period whether the credit risk significantly increased based on reasonable and sustainable information that is relevant and available without undue cost or effort, including qualitative, quantitative and prospective information. Prospective information is based on macroeconomic scenarios reassessed every year or whenever market conditions so require.

The Group classifies assets in three stages to measure the expected credit loss, in which the financial assets migrate from one stage to another in accordance with the changes in credit risk.

Stage 1: It is understood that a financial instrument in this stage does not present a significant increase in the risk from its initial recognition. The provision for this asset represents the expected loss resulting from possible non-compliance in the next 12 months;

Stage 2: If a significant increase in the risk is identified from the initial recognition, and no deterioration is realized, the financial instrument falls within this stage. In this case, the amount related to the provision for expected loss due default reflects the estimated loss of the financial instrument remaining life. To assess the significant increase in credit risk, quantitative measurement indicators used in regular credit risk management will be used, as well as other qualitative variables, such as the indication of a non-deteriorated operation is it is considered refinanced or operations included in a special agreement, and;

Stage 3: A financial instrument is registered in this stage when it shows indications of clear impairment arising from one or more past event that already materialized in a loss. In this case, the amount related to the provision for losses reflects the expected losses arising from the credit risk in the expected financial instrument remaining life.

Change of stage

An asset will migrate from one stage to another as the credit risk increases. If, in a subsequent period, the quality of a financial asset improves or the significant increase in the credit risk that was previously identified reverses, the financial asset may return to the stage 1, unless it is a financial asset originated or acquired with credit recovery problems.

Domestic and foreign government bonds are considered financial assets with low credit risk and, therefore, they remain in stage 1, in accordance with a study carried out by the Group.

The Group assesses whether the credit risk significantly increased on an individual or collective basis. For the purpose of a collective assessment, financial assets are grouped based on credit risk characteristics shared, taking into consideration the type of instrument, credit risk ratings, the initial recognition date, the remaining term, industry, geographic position of the counterparty among other relevant factors.

2.10 Available for sale non-current assets

In conformity with IFRS 5, assets whose carrying amount can be recovered, particularly by means of a sales transaction instead of the continuous use, were recorded in this category.

They are composed of real estate properties, machinery and equipment and vehicles not used in operations, which were acquired or received as payment in kind.

These assets are sold when they are received as payment in kind. However, those whose negotiation may reveal to be difficult are periodically assessed for impairment based on a technical report.

2.11 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the assets and liabilities of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. If negative goodwill is determined, the amount is recorded as a gain in the statement of income on the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

The goodwill is allocated to the Cash Generating Units ("UGC") for the purposes of impairment testing. The goodwill is allocated to the Cash Generating Units or to the groups of Cash Generating Units, which may benefit from the business combination from which the goodwill originated and they are identified in accordance with the operating segment.

2.12 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be reliably measured. All other repair and maintenance costs are charged to expenses as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method as follows:

	Years
Buildings	Between 20 and 25
Security system	Between 18 and 20
Installations	Between 8 and 10
Furniture and equipment in use	Between 8 and 10
Communication system	Between 8 and 10
Vehicles	Between 3 and 5
Data processing system	Between 3 and 5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

The gains and losses on disposals are determined based on the comparison of results with the carrying amount and they are recognized in the "General and administrative expenses" account.

2.13 Provision for impairment of financial assets

Non-financial assets are reviewed for impairment at the balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized by the excess of the asset's carrying amount over its recoverable amount. The recoverable amount is the highest of an asset's fair value less costs to sell and its value in use. For the purpose of assessing the provision for impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units ("UGCs")). The non-financial assets for which a provision for impairment was recognized, except goodwill, are reviewed for an analysis of a possible reversal of the provision for impairment on the date of the presentation of the financial statements.

2.14 Provisions

Provisions for judicial actions (labor, civil and tax) are recognized when the Group has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

When there are a number of similar obligations, the probability of settling them is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of settlement related to any one item included in the same class of obligations is small.

These judicial actions are assessed based on the best estimates of management, taking into consideration the opinion of legal advisors when it is likely that financial resources will be required to settle the obligations and that the amount of the obligations can be reliably estimated.

2.15 Current and deferred income tax and social contribution

The provision for current taxes is constituted at the rate of 15% on the calculated profit plus an additional 10% on what exceeds R$20/month, for income tax and 20% for the Social Contribution on Net Income "CSLL" according to Constitutional Amendment No. 103 of November 12, 2019.

Law No. 14,183 of July 14, 2021 changed the rate of Social Contribution on Net Income "CSLL" to 25% from July 1, 2021 until December 31, 2021, to 20% from January 2022.

Deferred income tax and social contribution are represented by tax credits and deferred tax liabilities obtained from the differences between the accounting calculation bases and the tax calculation basis, in accordance with tax rules and legislation, at the rates in force on the date of their constitution.

Tax credit arising from tax loss carryforwards and negative basis are only recognized if there is sufficient future taxable income to offset them.

2.16 Profit sharing

The Group recognizes a liability and an expense for profit sharing based on a methodology that takes into consideration the profit attributable to the Group's stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Capital

The share capital is composed of common and preferred shares, nominative and with no par value (Note 22 (a)).

2.18 Revenue recognition

The most significant criteria used by the Group to recognize its income and costs are summarized below:

(a) Interest income, interest cost and similar earnings and expenses

Interest income, interest expenses and similar earnings and expenses are recognized using the effective interest method. For the loan operations in which the payment of principal and interest is overdue for 60 days or more, interest income will no longer be recognized.

(b) Commissions, fees and similar items

Income and costs from fees and commissions are recognized in the consolidated statement of income, as part of the effective interest rate, using criteria that vary in accordance with their nature. The main criteria are as follows:

- Income and costs from fees and commissions, related to financial assets and liabilities measured at fair value in profit or loss are recognized when they are incurred.
- Income and costs resulting from transactions or services carried out over a long period of time are recognized over the life of these transactions or services using the straight-line method.
- Income and costs related to services provided in a single act are recognized upon the performance of this single act.

(c) Non-financial income and expenses

They are recognized for accounting purposes on the accrual basis.

(d) Deferred charges and payments

They are recognized for accounting purposes at the amount resulting from the discount of expected cash flows at market rates.

2.19 Earnings per share

Earnings per share are calculated by the division of profit attributed to the Group's controlling stockholders by the weighted average number of common and preferred shares outstanding every year. The weighted average number of shares is calculated based on the periods in which the shares were outstanding.

2.20 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Group's stockholders is recognized as a liability in the Group's financial statements at the semester, or when declared, based on the Group's By-Laws, calculated based on profit or loss determined in accordance with the accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil. Any amount that exceeds the minimum required is only provided on the date it is approved by the stockholders at the General Stockholders' Meeting.

The tax benefit from interest on capital is recognized in the statement of income.

2.21 New Pronouncements and Changes and Interpretations of Existing Pronouncements

(a) Accounting Pronouncements that have been issued and are applicable to future periods

- IFRS 17 - Insurance Contracts: The statement replaces IFRS 4 - Insurance Contracts and presents three approaches for evaluation:

- Standard Model: applicable to all insurance contracts without direct participation;

- Premium Allocation Approach (PAA): applicable to contracts with a duration of up to 12 months or when it produces results similar to what would be obtained if the standard model were used. It is simpler than the default model;

- Variable Fee Approach: applicable to insurance contracts with direct participation. Insurance contracts that are substantially service contracts related to investments under which an entity promises a return on investment based on the underlying items.

Insurance contracts must be recognized through the analysis of four components:

- Expected Future Cash Flows: estimate all components of the contract cash flow, considering inputs and outputs of resources;

- Risk Adjustment: estimate of the compensation required by the deviations that may occur between cash flows;

- Contractual Margin: difference between any amounts received before the beginning of contract coverage and the present value of estimated cash flows at the beginning of the contract;

- Discount: projected cash flows should be discounted to present value, so as to reflect the value of the money over time, at rates that reflect the characteristics of the respective flows.

This rule is effective for fiscal years beginning on January 1, 2023. The possible impacts are being assessed and will be concluded by the date of entry into effect of the rule.

3. Critical accounting estimates and judgments

Estimates and judgments are continually reassessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are described below. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are described below.

These estimates are based on current expectations and on estimated projections of future events and trends that may affect the consolidated financial statements. The main assumptions that can affect these estimates, in addition to those previously mentioned, are related to the following factors: The main assumptions that can affect these estimates, in addition to those previously mentioned, are related to the following factors:

- Variation in the amounts deposited, in client base and in borrowers' default rates.
- Changes in interest rates.
- Changes in inflation rates.
- Government regulations and tax issues.
- Adverse legal proceedings or disputes.
- Credit, market and other risks arising from credit and investment activities.
- Changes in the market values of Brazilian securities, especially Brazilian government bonds.
- Changes in regional, national and international business and economic conditions.

(a) Measurement of the provision for impairment of financial assets in "Financial Assets Measured at Amortized Cost"

Assets classified in the Financial assets measured at amortized cost category are stated at amortized cost and adjusted by the effective interest rate.

On the base date of the financial statements, the Group must assess the losses inherent to the financial assets measured at the amortized cost. The determination of impairment losses on loans and receivables requires a high level of judgment that involves different evaluation criteria, such as an analysis of the specific characteristics of each loan and receivable portfolio, the existing guarantees and the risk of the operations.

The Group uses internal models to analyze the portfolios of loans and receivables and determine the required provision for losses in accordance with Note 2.9. These models use statistical factors of historical losses observable from a time window that is sufficient to capture seasonal effects and remove the effects of unusual market conditions for groups of loans with similar risk characteristics.

(b) Provision, Contingent Liabilities and Contingent Assets

The group periodically reviews its contingencies. These contingencies are assessed based on the best estimates of management, taking into consideration the opinion of legal advisors when it is likely that financial resources will be required to settle the obligations and that the amount of the obligations can be reliably estimated. For the contingencies classified as "Probable", provisions are recognized in the Balance Sheet in the "Provisions" account, as described in Note 19.

The amounts of contingencies are measured using models and criteria that allow their proper measurement despite the uncertainty that is inherent to terms and amounts.

(c) Deferred income tax and social contribution

Deferred tax assets are recognized only in relation to temporary differences to the extent that it is probable that the Group will have future taxable income against which deferred tax assets can be used. Other deferred tax assets (tax credits and tax loss carryforwards) are recognized only when it is probable that the Group will have sufficient future taxable profits against which such credits can be used. In accordance with current regulation, the expected realization of the Group's tax assets is based on the projection of future revenue and technical studies.

(d) Impairment of Goodwill

The review of the impairment allowance reflects the Group's best estimate of future cash flows from Cash Generating Units (CGUs), with the identification of CGUs and the estimation of their fair value minus selling costs and/or value in use. These flows are subject to market conditions and uncertain factors, as follows:

- Projected cash flows for the periods of available forecasts and long-term assumptions of these flows;

- Discount rates as they generally reflect financial and economic variables, such as the risk-free interest rate and a risk premium.

CGUs or CGU groups are identified at the lowest level at which goodwill is monitored for internal administration purposes. Goodwill is allocated to cash flow generating units for the purpose of the impairment test.

4. Financial risk management

The Group's activities expose it to several financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a specific office of the Group in accordance with the policies approved by the Board of Directors. The Group's Risk department identifies, assesses and protects the Group against any financial risks in co-operation with the Group's operating units. The Board of Directors establishes written principles for overall risk management, as well as for specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment of cash surplus, and these principles are monitored through reviews of the Asset and Liability Committee ("ALCO").

4.1 Credit and socioenvironmental risk

The Group is exposed to credit risk, which is the risk that arises when a counterparty causes a financial loss by failing to settle an obligation. Significant changes in the economy or in the financial health of a particular economic activity segment that represents a concentration in the portfolio held by the Group may result in losses that differ from those for which a provision is recognized at the balance sheet date. Therefore, management carefully controls the exposure to credit risk.

Exposures to this type of risk mainly arise from direct loan operations, indirect loan operations (onlendings with the intermediation of financial agents) and other financial instruments. There is also the credit risk in connection with financial agreements that are not recorded in the balance sheet, such as loan commitments. Credit risk control and management are carried out by the Risk Department.

Banco Bmg's Socio-environmental Responsibility policy, which follows the provisions of CMN Resolution No. 4.327/2014, institutes guidelines and consolidates socio-environmental practices in business and in customer relations. The policy establishes prohibited segments, for which we do not grant credit, and restricted sectors, for which the social and environmental risk analysis is more detailed and rigorous. It also determines practices, which include risk management and socio-environmental impact analyses for the purpose of credit and supplier management, conducted through the analysis of socio-environmental practices. In this case, socio-environmental risk is analyzed in order to mitigate operational risk, capital risk, credit risk and reputational risk.

4.1.1 Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk, without considering the guarantees received or other credit improvements.

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

	2022	2021
Cash and deposits on demand	300,446	357,619
Money market	283,994	49,998
Compulsory deposits in the Central Bank	702,293	152,121
Financial assets stated at fair value through other comprehensive income – marketable securities	3,019,883	10,125,495
At fair value through profit or loss	2,015,765	1,640,104
At fair value through profit or loss - Derivative financial instruments	439,904	394,715
Financial assets measured at amortized cost	27,876,267	15,594,238
Off-balance	**7,500,217**	**6,204,423**
Guarantees and sureties	255,533	254,584
Credits to be released	7,244,684	5,949,839
Total maximum exposure to credit risk	**42,138,769**	**34,518,713**

For assets recorded in the balance sheet, the exposures described are based on net carrying amounts. This analysis includes only the financial assets that are subject to credit risk, and non-financial assets are not included.

As shown in the table above, the most significant exposure arises from loans and receivables and available-for-sale financial assets.

The credit risk limits are determined based on internal or external classifications in accordance with the limits determined by the Board of Directors. The use of the credit limits is regularly monitored. See Note 4.1.4 for further disclosure on credit risk.

4.1.2 Risk limit control and mitigation policies

The Group manages, limits and controls credit risk concentrations whenever they are identified, particularly for counterparties and individual groups. Management structures the risk levels it assumes, establishing limits on the acceptable risk extent related to a specific debtor and groups of debtors. These risks are monitored on a rotating basis and are subject to annual or more frequent reviews, when necessary, and are approved by the proper authorities that are determined by the Corporate Credit Committee. The payroll loan credit card is a large volume mass-market product with low average ticket, which reduces the credit concentration risk.

Credit risk exposure is also managed by the regular analysis of actual and potential borrowers with regard to the payments of the principal amount and interest and of the changes of limits when appropriate.

One of the ways to mitigate credit risk is to take guarantees on the release of funds. The Group implements guidelines on the acceptance of specific classes of guarantees or mitigation of credit risk. The main types of guarantees for loan operations are:

- Trust receipt;
- Pledge;
- Mortgage;
- Promissory note;
- Letter of guarantee.

The internal classification tool helps the Group determine the objective evidence of the provision for impairment in accordance with IFRS 9, based on the criteria described in Note 2.9.

4.1.3 Quality of financial assets

The quality of the Group's financial assets, which are assessed on an individual basis, is measured in accordance with the internal risk classification and is presented as follows:

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

			2022
	Internal risk classification		
	Low	Medium	High
Cash and deposits on demand	300,446		
Money market	283,994		
Compulsory deposits in the Central Bank	702,293		
Financial Assets Measured at Amortized Cost - Credit Operations	19,004,366	916,255	881,495
Financial assets stated at fair value through other comprehensive income – marketable securities	3,019,883		
At fair value through profit or loss	2,015,765		
At amortized cost - Marketable securities	7,846,059		
Derivative financial instruments	439,904		

			2021
	Internal risk classification		
	Low	Medium	High
Cash and deposits on demand	357,619		
Money market	49,998		
Compulsory deposits in the Central Bank	152,121		
Financial Assets Measured at Amortized Cost - Credit Operations	14,604,413	557,473	838,007
Financial assets stated at fair value through other comprehensive income – marketable securities	10,125,495		
At fair value through profit or loss	1,640,104		
At amortized cost - Marketable securities	103,543		
Derivative financial instruments	394,715		

4.1.4 Concentration of risks

The individual risk limits in loan operations are determined in specific operational regulations.

These limits are frequently monitored and, in the event of departure from the limit, the officer responsible for risk management will be immediately communicated and will have to develop and manage the performance of an action plan for correction and adjustment.

The high volume of operations carried out by the Institution requires a complex structure of technology environment to process these transactions and internal controls.

4.2 Market risk

Market risk is defined as the possibility of losses resulting from the variation of market prices and rates due to the mismatching of terms, currencies and indexes in the positions held by the Group. Operations classified as market risk sources are those subject to changes in foreign exchange rates, interest rates and commodity prices. The portfolios

of held-for-trading investments include all the securities owned by the investment funds, the daily changes in which are regularly monitored.

Financial instruments that are not designated for trading basically correspond to Marketable securities. This portfolio includes interest rate, price index and foreign exchange risks. The measurement techniques used to measure and control the market risk are described below:

Market risk measurement techniques

Value at Risk *("VaR")*

VaR is an estimate based on potential loss statistics for the current investment portfolio arising from adverse changes in market conditions. It expresses the "maximum" amount that the Group can lose at a certain confidence level (99%). There is, therefore, a one percent (1%) probability that actual losses are higher than the VaR estimate. This model presumes a holding period for all positions (10 days). In addition, it also presumes that changes during such period will maintain a pattern similar to the changes that occurred in previous ten-day holding periods. The VaR is used to measure the risk of banking portfolio financial operations that are subject to changes in fixed interest rates denominated in Brazilian reais and in the Long-Term Interest Rate (TJLP), changes in price indexes denominated in the Broad Consumer Price Index (IPCA) and the General Market Price Index (IGP-M), and the foreign exchange variation. These limits are daily monitored by the Risk Department.

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

Stress test

As in the management of market risk exposure, financial instruments are segregated into trading and banking portfolios according to best market practices and to the operation classification and capital management criteria of Basel III New Standardized Approach of Bacen. The banking portfolio consists of commercial and structural operations arising from the different business lines of the Group and their hedges. Therefore, the entire portfolio of the Group to be analyzed regarding market risk is classified as banking.

The summarized table below shows the effects of price variations in the projected scenarios and does not necessarily reflect the current position, in view of the market dynamics and the Group's activities.

Stress tests provide an indication of the potential volume of losses that might arise from extreme market situations. The stress tests for the banking portfolio are conducted by the Risk Department.

				Banking portfolio
				2022
Risk factors	**Definition**	**Scenario 1**	**Scenario 2**	**Scenario 3**
Foreign currency	Exposures subject to foreign exchange variation	(1,275)	(3,188)	(6,375)
Interest rates in reais	Exposures subject to changes in fixed interest rates	(65,401)	(163,504)	(327,007)
Foreign exchange coupon	Exposures subject to changes in foreign exchange coupon rates	51	129	257
IPCA / IGP-M	Exposures subject to changes in price index coupon rates	4,055	10,139	20,277
Total		**(62,570)**	**(156,424)**	**(312,848)**

				2021
Risk factors	**Definition**	**Scenario 1**	**Scenario 2**	**Scenario 3**
Foreign currency	Exposures subject to foreign exchange variation	(31)	(78)	(157)
Interest rates in reais	Exposures subject to changes in fixed interest rates	(35,240)	(88,101)	(176,202)
Foreign exchange coupon	Exposures subject to changes in foreign exchange coupon rates	(738)	(1,846)	(3,692)
IPCA / IGP-M	Exposures subject to changes in price index coupon rates	(166)	(415)	(829)
Total		**(36,175)**	**(90,440)**	**(180,880)**

The Group's financial instruments are classified as banking portfolio and they comprise loan operations, instruments for the raising of financial resources to be used to finance the loan portfolio, available-for-sale marketable securities and derivative financial instruments to be used to *hedge* other operations classified in this portfolio (asset or liability).

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

The risk factors identified are as follows:

- Interest curve – loss arising from price variations due to variations in Brazilian real-denominated fixed interest rates;
- Foreign exchange coupon – loss arising from price variations due to variations in the domestic interest rate for operations indexed to foreign exchange variation;
- Foreign exchange – loss arising from price variations due to variations in any currency.
- IPCA / IGP-M: loss arising from price index variations.

Assumptions for the risk factors

Scenario	Interest curve (fixed) and Foreign exchange coupon curve	Foreign exchange
1	Parallel shift of + 100 basis points	10% increase
2	Parallel shift of + 250 basis points	25% increase
3	Parallel shift of + 500 basis points	50% increase

- Scenario 1 represents a parallel shock of 100 basis points (+1%) in the interest and foreign exchange coupon curves plus a 10% shock in foreign exchange rates.
- Scenario 2 represents a parallel shock of 250 basis points (+2.5%) in the interest and foreign exchange coupon curves plus a 25% shock in foreign exchange rates.
- Scenario 3 represents a parallel shock of 500 basis points (+5%) in the interest and foreign exchange coupon curves plus a 50% shock in foreign exchange rates.

4.3 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from the exposure of some currencies, primarily with respect to the U.S. dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Management established a policy that requires the Group companies to manage their foreign exchange risk. The Group companies whose operations are exposed to foreign exchange risk are required to hedge their foreign exchange risk exposure through *swap* operations carried out under the guidance of the Group' Treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is different from the entity's functional currency.

Concentrations of currency risk–financial instruments recorded in the balance sheet

	2022	2021
Assets		
Investments in foreign currency (U.S. dollar)	26,979	173,613
Total financial assets	**26,979**	**173,613**
Total derivatives – Assets (U.S. dollar)	141,832	50,410
Total derivatives – Liabilities (U.S. dollar)	(153,784)	(14,144)
Net financial position recorded in the balance sheet	**(11,952)**	**36,266**

4.4 Cash flow or fair value risk associated with interest rate

The Group's interest rate risk arises mainly from funding via time deposits, interbank deposits and credit lines (FINAME) from the National Bank for Economic and Social Development (BNDES). Funds raised at variable rates expose the Group to cash flow interest rate risk. Meanwhile, funds raised at fixed rates (especially subordinated debts and short-term notes) expose the Group to the fair value interest rate risk. In 2020 and 2019, the Group's variable rate loans were mainly maintained in Brazilian reais.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and financing. Based on these scenarios, the Group calculates the impact on the result of a defined interest rate shift. For each simulation, the same interest rate shift is used for all the currencies. The scenarios are run only for the liabilities that represent the major interest-bearing positions.

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

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The fixed rates that result from this swap operation are lower than those available if the Group borrowed at fixed rates directly.

The table below summarizes the Group's exposure to interest rate risk and includes financial instruments at their carrying amounts, categorized by the earliest contractual amendment or maturity dates.

				2022
	Within 90 days	**From 91 to 360 days**	**Over 360 days**	**Total**
Money market (Note 5)	283,994			**283,994**
Compulsory deposits in the Central Bank	702,293			**702,293**
At fair value through profit or loss - Derivative financial instruments (Note 7)	213,881	186,414	39,609	**439,904**
Financial assets stated at fair value through other comprehensive income – marketable securities (Note 6)	372,816	96,686	2,550,381	**3,019,883**
Financial assets measured at amortized cost (Note 6)	7,162,226	5,102,229	15,611,812	**27,876,267**
At fair value through profit or loss (Note 6)	2,015,765			**2,015,765**
Total financial assets	**10,750,975**	**5,385,329**	**18,201,802**	**34,338,106**
Financial liabilities measured at amortized cost (Note 12)	12,079,378	4,451,508	17,431,949	**33,962,835**
Derivative financial instruments (Note 7)	74,625	74,066	5,592	**154,283**
Total financial liabilities	**12,154,003**	**4,525,574**	**17,437,541**	**34,117,118**

				2021
	Within 90 days	**From 91 to 360 days**	**Over 360 days**	**Total**
Money market (Note 5)	49,998			**49,998**
Compulsory deposits in the Central Bank	152,121			**152,121**
At fair value through profit or loss - Derivative financial instruments (Note 7)	54,029	192,107	148,579	**394,715**
Financial assets stated at fair value through other comprehensive income – marketable securities (Note 6)	259,536	194,922	9,671,037	**10,125,495**
Financial assets measured at amortized cost (Note 6)	5,940,126	3,464,284	6,189,828	**15,594,238**
At fair value through profit or loss (Note 6)		17,626	1,622,478	**1,640,104**
Total financial assets	**6,455,810**	**3,868,939**	**17,631,922**	**27,956,671**
Financial liabilities measured at amortized cost (Note 12)	8,797,991	5,197,546	14,045,454	**28,040,991**
Derivative financial instruments (Note 7)	48,716	15,907	709	**65,332**
Total financial liabilities	**8,846,707**	**5,213,453**	**14,046,163**	**28,106,323**

Financial exposure of derivative financial instruments

		2022		2021
	Assets	**Liabilities**	**Assets**	**Liabilities**
Risk factors				
Fixed rate	1,976,278	3,022,207	811,137	2,318,939
Foreign currency	3,019,742	1,988,759	1,663,795	815,132
IPCA	1,389,210		1,296,683	
Others	23,769	1,105,742	717,023	1,037,507
Total	**6,408,999**	**6,116,708**	**4,488,638**	**4,171,578**

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

4.5 Liquidity risk

Liquidity risk is the possibility that the Group will not have sufficient financial resources to meet its obligations due to the mismatch between payments and receipts, taking into consideration the different currencies and the settlement terms of their rights and obligations.

Liquidity risk management process

Liquidity Risk Management is carried out on a daily basis by the Risk Department through an internal system. The Group's Liquidity Risk Policy sets forth limits (liquidity buffer), which are monitored by ALCO, and, if they are extrapolated, the responsible Committee must be informed. For the decision-making processes, reports, such as cash flow, cash projection for the next six months and effective cash versus limits established and made available by Treasury, are prepared.

Funding approach

The main objective of the Group's Treasury is to provide liquidity to ensure that its financial obligations will be met, ensuring the business sustainability through funding at competitive rates and the diversification of its refinancing sources by counterparty, currency, product and term. In addition, it is aimed at mitigating financial risks through the follow-up and monitoring of the risks inherent to the business, such as market risk and liquidity risk.

Undiscounted cash flows

The table below presents the cash flows in accordance with financial assets and liabilities, described by the remaining contractual maturity after the balance sheet date. The amounts disclosed in the table are the contracted undiscounted cash flows, whose liquidity risk is managed based on expected undiscounted cash inflows.

					2022
Undiscounted cash flows	**Within 90 days**	**From 91 to 360 days**	**From 361 to 1800 days**	**Over 1800 days**	**Total**
Cash and deposits on demand	300,446				**300,446**
Money market	283,994				**283,994**
Financial assets measured at amortized cost	10,884,752	4,170,858	4,283,849	7,711,201	**27,050,660**
Financial assets stated at fair value through other comprehensive income – marketable securities	372,844	97,517	2,669,410		**3,139,771**
Financial assets at fair value through profit – marketable securities	2,015,765				**2,015,765**
At fair value through profit or loss - Derivative financial instruments	213,881	186,414	39,609		**439,904**
Total receivable	**14,071,682**	**4,454,789**	**6,992,868**	**7,711,201**	**33,230,540**
Deposits					
Demand deposit	280,030				**280,030**
Time deposit	2,378,977	3,266,329	15,810,351	986,597	**22,442,254**
Assignments	41,084	120,879	590,448		**752,411**
Interbank deposits	110,410	7,800	13,314		**131,524**
Derivative financial instruments	**74,625**	**74,066**	**5,592**		**154,283**
Marketable securities and financial bills	**92,484**	**105,869**	**2,823,388**	**1,816,360**	**4,838,101**
Borrowings and onlendings	**60,441**		**115,546**	**428,967**	**604,954**
Subordinated financial bills and debt			**20,604**	**362,197**	**382,801**
Total payable	**3,038,051**	**3,574,943**	**19,379,243**	**3,594,121**	**29,586,358**
Difference receivable (payable)	**11,033,631**	**879,846**	**(12,386,375)**	**4,117,080**	**3,644,182**

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

					2021
Undiscounted cash flows	**Within 90 days**	**From 91 to 360 days**	**From 361 to 1800 days**	**Over 1800 days**	**Total**
Cash and deposits on demand	357,619				**357,619**
Money market	49,998				**49,998**
Financial assets measured at amortized cost	11,342,592	1,588,290	3,318,383	1,452,386	**17,701,651**
Financial assets stated at fair value through other comprehensive income – marketable securities	188,367	195,218	10,246,626	1,128,904	**11,759,115**
Financial assets at fair value through profit	17,626			1,622,478	**1,640,104**
At fair value through profit or loss - Derivative financial instruments	54,029	192,107	148,579		**394,715**
Total receivable	**12,010,231**	**1,975,615**	**13,713,588**	**4,203,768**	**31,903,202**
Deposits					
Demand deposit	256,186				**256,186**
Time deposit	1,766,509	3,794,735	12,200,030	1,607,553	**19,368,827**
Assignments	6,593	120,879	590,448		**717,920**
Interbank deposits	28,654	41,457	7,547		**77,658**
Derivative financial instruments	**48,716**	**15,907**	**709**		**65,332**
Marketable securities and financial bills	**91,796**	**228,042**	**783,005**	**234,354**	**1,337,197**
Borrowings and onlendings	**45,964**	**5,000**	**110,546**	**401,063**	**562,573**
Subordinated financial bills and debt			**19,317**	**110,169**	**129,486**
Total payable	**2,244,418**	**4,206,020**	**13,711,602**	**2,353,139**	**22,515,179**
Difference receivable (payable)	**9,765,813**	**(2,230,405)**	**1,986**	**1,850,629**	**9,388,023**

4.6 Capital management

The objectives of the Group when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can make adjustments to the amount of dividends paid to stockholders, issue new shares or sell assets to reduce, for example, debt.

In accordance with CMN Resolution No. 4,557 /17 and subsequent regulations, financial institutions are obliged to maintain equity compatible with the degree of risk of their assets, weighted by factors that vary from 0% to 1,250% and a minimum index of equity in relation to assets weighted by risk of 8% plus the respective portions of Additional Principal Capital and Countercyclical.

In addition, equity used for calculating the Regulatory capital is the equity calculated according to the accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil (Bacen) and not to IFRS.

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

The Basel ratio and regulatory capital calculated to meet the rules of Brazilian Central Bank are as follows:

		Basel III
	2022	2021
Tier I regulatory capital	**2,507,888**	**2,624,984**
Common equity tier I	**2,397,582**	**2,515,851**
– Equity (1)	4,015,622	4,067,124
– Prudential adjustments – Resolution No. 4,192/13 CMN	(1,618,040)	(1,551,273)
Complementary capital (2)	**110,306**	**109,133**
- Subordinated debt	110,306	109,133
Tier II Reference equity (2)	**272,495**	**20,353**
- Subordinated debt	272,495	20,353
Reference equity - (Tier I + Tier II) (a)	**2,780,383**	**2,645,337**
Risk-weighted assets – RWA (b)	**20,691,245**	**18,043,171**
Appropriation of capital		
– Credit risk	19,201,926	16,841,914
– Market risk	151,725	102,150
– Operational risk	1,337,594	1,099,107
Solvency ratio (a / b)	**13.44%**	**14.66%**
Tier I capital	**12.12%**	**14.55%**
– Common equity tier 1	11.59%	13.94%
– Complementary capital	0.53%	0.61%
Tier II capital	**1.32%**	**0.11%**
- Capital to hedge the risk of transactions subject to the variation of interest rates classified in the banking portfolio per Resolution No. 3.876 of BACEN - Installment “IRRBB”.	248,303	254,055
Fixed assets ratio	**41.45%**	**40.98%**
Excess capital in relation to fixed assets	**237,757**	**238,573**

(1) Equity of the Prudential Conglomerate, as provided to Resolution No. 4,955, of October 21, 2021; and
(2) See note 17.

4.7 Fair value estimate

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument without change.
- Level 2: quoted prices in active markets for similar instruments or valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

The table below presents the assets and liabilities measured at fair value on June 30, 2022.

Description	Level 1	Level 2	Total
Assets			
Financial assets stated at fair value through other comprehensive income – marketable securities	3,019,883		3,019,883
At fair value through profit or loss		2,015,765	2,015,765
Derivative financial instruments		439,904	439,904
Total assets	**3,019,883**	**2,455,669**	**5,475,552**
Liabilities			
Derivative financial instruments		154,283	154,283
Total liabilities		**154,283**	**154,283**

The table below presents the assets and liabilities measured at fair value on December 31, 2021.

Description	Level 1	Level 2	Total
Assets			
Financial assets stated at fair value through other comprehensive income – marketable securities	10,125,495		10,125,495
At fair value through profit or loss	1,599,131	40,973	1,640,104
Derivative financial instruments		394,715	394,715
Total assets	**11,724,626**	**435,688**	**12,160,314**
Liabilities			
Derivative financial instruments		65,332	65,332
Total liabilities		**65,332**	**65,332**

The fair value of financial instruments traded in active markets (such as held-for-trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or financial institution or dealer quotes for similar instruments;
- the fair value of interest rate *swaps* is calculated as the present value of the estimated future cash flows based on yield curves adopted by the market;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group has no Level 3 financial assets.

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4.8 Fair value of financial assets and liabilities not measured at fair value

As mentioned above, financial assets owned by the Group are measured at fair value in the consolidated balance sheet, except for loans and receivables and held-to-maturity assets.

For the same purpose, the Group's financial liabilities are stated at amortized cost in the consolidated balance sheet, except for held-for-trading financial liabilities.

A comparison between the carrying amounts of the Group's financial assets not measured at fair value and their corresponding fair values at the end of the year is presented below:

						2022	2021
ASSETS	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Loan and lease operations	18,976,312	20,409,992		20,409,992		**20,409,992**	**15,867,712**
LIABILITIES							
Deposits from clients	20,153,919	20,837,507		20,837,507		**20,837,507**	17,485,502
Borrowings and onlendings	604,954	604,954		604,954		**604,954**	**562,573**
Marketable securities and financial bills	2,324,208	1,899,029		1,899,029		**1,899,029**	**1,061,956**
Subordinated financial bills and debt	382,801	382,800		382,800		**382,800**	**129,485**
Other financial liabilities	801,768	801,768		801,768		**801,768**	**721,885**
Borrowings or transfers of financial assets	1,290,269	1,290,269		1,290,269		**1,290,269**	**1,536,250**

The assumptions used to estimate fair value are as follows:

- The amounts of all asset and liability operations subject to fixed rates were adjusted based on the fair value. The fair value rate was determined based on the average rate by product used for all the operations carried out in September 2021.

- All asset and liability operations subject to floating or fixed rates or indexes, such as the Interbank Certificate Index ("CDI"), General Market Price Index ("IGP-M"), Broad Consumer Price Index ("IPCA"), U.S. dollar and National Consumer Price Index ("INPC") were considered as already measured at fair value, since they are already subject to an index that reflects the fluctuations in the market.

- The fair value amounts were determined using the future cash flow of each operation at the effective rate of the contract and discounted to present value at the market rate, as previously determined, which includes the credit risk of the counterparty.

4.9 Guarantees for loan operations

The Group uses guarantees to reduce losses on operations with credit risk by managing these guarantees so that they are always sufficient, legally enforceable (effective) and viable, and reviewing them on a regular basis.

Loan operations not related to payroll loans are covered by the following guarantees:

				2022
	Type of product			
Type of guarantee	**Direct consumer credit**	**Working capital**	**Other**	**Total**
Trust receipt	3,161,100	165,351	279,941	**3,606,392**
Promissory note		4,829		**4,829**
Assignment of credit rights		2,039,656		**2,039,656**
Pledge		299,701	83,481	**383,182**
Other		533	279,110	**279,643**
TOTAL	**3,161,100**	**2,510,070**	**642,532**	**6,313,702**

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

				2021
	Type of product			
Type of guarantee	Direct consumer credit	Working capital	Other	Total
Trust receipt	1,469,397	121,873	213,750	**1,805,020**
Promissory note		5,010	365,939	**370,949**
Assignment of credit rights		2,115,061		**2,115,061**
Pledge		287,830	64,323	**352,153**
Other		1,272	277,713	**278,985**
TOTAL	**1,469,397**	**2,531,046**	**921,725**	**4,922,168**

When secured loan operations become non-performing, the existing collection policy comprises the following steps: amicable debt collection, attempt to formalize the term of amicable delivery, filing an action for a search warrant of collateral, and ultimately going into auction,

4.10 Business combination and corporate changes

On March 5, 2021, upon compliance with all suspensive conditions, the operation foreseen in the Purchase and Sale Contract and Subscription of Shares and Other Covenants, entered into by Banco Bmg, Banco Inter and Individual Partners, with the intervention and consent of BMG Granito Soluções em Pagamento, established in the binding memorandum of understanding entered into on November 17, 2020, was consummated. The Transaction was for the acquisition by Bmg of 713,606 of Granito's common shares held by the Individual Partners, for the total price of R$ 7.5 million and, together with the subscription and payment, by Inter, of 8,568,767 of Granito's common shares, for a total issue price of R$ 90 million. As a result of the subscription and payment of Inter, Banco Bmg recorded a result from the sale of interest in a subsidiary of R$ 30,871 in the quarter ended March 31, 2021, as well as a total write-off of goodwill of R$22,985 (note 22 (b)).1. With the closing of the Operation, the Bank and Banco Inter each held 45% of Granito's capital stock and the Individual Partners, together, hold the remaining 10% of the share capital.

On July 2, 2021, Banco Bmg entered into an agreement to invest in Araújo Fontes Consultoria e Negócios Imobiliários Ltda. and AF Invest Administração de Recursos Ltda., one of the leading independent investment advisory boutiques in Brazil, with the acquisition of 50% of the capital stock of the holding company ("AF Controle S.A."). The approximate amount involved in the transaction was R$150,000, comprised of a fixed portion of R$85,000 and a potential variable amount estimated at R$65,000. Completion is subject to certain conditions precedent usual to this type of transaction, including approval by the Central Bank of Brazil.

On August 30, 2021 and October 29, 2021, a capital reduction was carried out in the subsidiary CBFacil Corretora de Seguros e Negócios Ltda. in the amount of R$200,000.

As communicated to the market on October 20, 2021, CBFácil Corretora de Seguros e Negócios Ltda. has signed a contractual instrument with the intention to acquire an equity stake in O2OBOTS Inteligência Artificial Ltda. O2OBOTS is a fintech that operates in the development, licensing and maintenance of software specialized in chatbots with artificial intelligence for selling financial and insurance products.

On May 6, 2022, Bmg, through its direct subsidiary CBFácil Corretora de Seguros e Negócios Ltda., entered into a contractual instrument with the intention of acquiring equity interest in FRP Ieger Software Ltda. (“iCertus”), a management software (ERP) for micro, small and medium-sized companies. The effective conclusion of the Operation is awaiting the approval of the Central Bank of Brazil - BACEN, pursuant to the existing regulations.

On June 20, 2022, a capital reduction was made in the CBFacil Corretora de Seguros e Negócios Ltda. subsidiary in the amount of R$50,000.

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

5. Cash and cash equivalents and short-term interbank investments

	2022	2021
Cash and cash equivalents	300,446	357,619
Short-term interbank investments	283,994	49,998
Total	**584,440**	**407,617**

6. Financial assets

Classification per nature and category

The classification by nature and category for the purpose of valuating the Bank's assets, except balances relating to "Cash and cash equivalents, Reserves with the Central Bank of Brazil" and "Money market investments", on June 30, 2022 and December 31, 2021 are as follows:

				2022
	Financial assets measured at fair value through profit or loss	**Financial assets measured at fair value through other comprehensive income**	**Financial assets measured at amortized cost**	**Total**
Loans and other amounts with financial institutions			223,156	**223,156**
Loan and lease operations (i)			20,802,116	**20,802,116**
Sundry debtors			799,023	**799,023**
Provision for the expected losses (impairment)			(1,825,804)	**(1,825,804)**
Compulsory deposits in the Central Bank			702,293	**702,293**
Deposit application			31,717	**31,717**
Marketable securities	**2,015,765**	**3,019,883**	**7,846,059**	**12,881,707**
Financial Treasury Bills - LFT		1,406,981		**1,406,981**
National Treasury Bills – LTN (i)			1,075,265	**1,075,265**
National Treasury Notes – NTN (i)	1,995,201		6,770,794	**8,765,995**
Agribusiness Credit Receivable Certificates		24,693		**24,693**
Certificate of Real Estate Receivables		71,649		**71,649**
Quotas in investment funds		158,592		**158,592**
Time Deposit	20,564			**20,564**
Treasury shares		1,348,554		**1,348,554**
Debentures		9,414		**9,414**
Derivative financial instruments (Note 7)	439,904			**439,904**
Total	**2,455,669**	**3,019,883**	**28,578,560**	**34,054,112**
Current	**2,416,060**	**469,502**	**12,966,748**	**15,852,310**
Non-current	**39,609**	**2,550,381**	**15,611,812**	**18,201,802**

(i) Reclassification of financial assets (see note 2.7.1(a))

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

				2021
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	Total
Loans and other amounts with financial institutions			167,517	**167,517**
Loan and lease operations			15,999,893	**15,999,893**
Sundry debtors			875,467	**875,467**
Provision for the expected losses (impairment)			(1,591,076)	**(1,591,076)**
Compulsory deposits in the Central Bank			152,121	**152,121**
Deposit application			38,894	**38,894**
Marketable securities	**1,640,104**	**10,125,495**	**103,543**	**11,869,142**
Financial Treasury Bills - LFT		1,508,286		**1,508,286**
National Treasury Bills - LTN		1,040,140		**1,040,140**
National Treasury Notes - NTN	1,599,131	6,023,795		**7,622,926**
Certificate of Real Estate Receivables		116,504		**116,504**
Quotas in investment funds	40,973			**40,973**
Time Deposit			103,543	**103,543**
Debentures		1,436,770		**1,436,770**
Derivative financial instruments (Note 7)	394,715			**394,715**
Total	**2,034,819**	**10,125,495**	**15,746,359**	**27,906,673**
Current	**263,762**	**454,458**	**9,556,531**	**10,274,751**
Non-current	**1,771,057**	**9,671,037**	**6,189,828**	**17,631,922**

7. Derivative financial instruments

(a) Fair value of trading derivatives recognized in assets and liabilities

	2022		2021	
	Fair value		Fair value	
	Assets	(Liabilities)	Assets	(Liabilities)
Foreign exchange derivative	141,832	(153,784)	50,410	(14,144)
Interest rate and index derivatives	298,072	(499)	344,305	(51,188)
Total	**439,904**	**(154,283)**	**394,715**	**(65,332)**
Current	**400,295**	**(148,691)**	**246,136**	**(64,623)**
Non-current	**39,609**	**(5,592)**	**148,579**	**(709)**

Swap transactions, the sole purpose of which is to hedge against risks of the financial assets, backed by the active transaction themselves.

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

(b) Notional amounts and fair values of the trading derivative financial instruments

	2022		2021	
	Reference value (notional)	Net fair value	Reference value (notional)	Net fair value
Foreign exchange derivative	1,352,684	(11,952)	307,790	36,266
Interest rate derivatives	50,715	2,292	1,102,132	33,850
Index derivatives	895,500	295,281	895,500	259,267
Total	**2,298,899**	**285,621**	**2,305,422**	**329,383**

(c) The breakdown of the notional amounts of the trading derivative financial instruments per maturity as follows:

	2022	2021
Within 30 days	309,556	49,307
From 31 to 180 days	1,079,468	1,147,333
From 181 to 360 days	755,987	606,557
Over 360 days	153,888	502,225
Total	**2,298,899**	**2,305,422**

Below are the reference and receivables/payables amounts of futures operations,

Futures	Amounts receivable	Amounts payable	Reference value
DAP	2,792		4,827,529
DDI		(8,576)	2,017,184
DI1		(20,195)	7,597,719
DOL		(3,676)	2,816,935
Live Cattle futures		(41)	54,681
Position – 2022	**2,792**	**(32,488)**	**17,314,048**
Position – 2021	**62,828**	**(3,939)**	**10,795,614**

Below are the results obtained with derivative financial instruments.

(d) Hedging derivative financial instrument transactions

(i) Market risk hedge

The purpose of Banco BMG's hedge relationship is to protect, from exposure to changes in market risk, post-fixed time deposits indexed to the dollar against the CDI.

To hedge against exposure to changes in the market risk of funding indexed to exchange variations, the Bank negotiates Dollar x DI swap contracts, On September 5, 2020, the Bank liquidated its borrowings indexed to foreign exchange variations hedged by Market Risk, as well as the Dollar x DI swap contracts designated as Market Risk hedge instruments. On June 30, 2022, the Bank did not have an outstanding balance of Dollar x DI swap contracts designated as Market Risk hedge instruments, nor does it have a funding balance indexed to the foreign exchange rate variation as an object of Market Risk hedge. As of June 30, 2022, the Bank did not have an outstanding balance of US Dollar x DI swap contracts designated as Market Risk hedging instruments, nor does it have a funding balance indexed to exchange variation as a Market Risk hedge object.

To hedge its exposure to the market risk variation of CDBs indexed to the IPCA variation plus coupon, the Bank uses futures contracts (DAP) traded at B3 - Brasil, Bolsa, Balcão, as hedging instruments. On June 30, 2022, the instruments generated a positive adjustment to negative market value in the result for the period, amounting to R$ 42,364 (2021 – by R$ 10,967).

To hedge its exposure to the market risk variation of fixed-rate Subordinated Letras Financeiras, the Bank uses futures contracts (DI1) traded on B3 – Brasil, Bolsa, Balcão, as hedging instruments. These futures have shorter maturities than the Subordinated Letras Financeiras, and contracts are expected to be rolled over to maintain the effectiveness of the hedge relationship. On June 30, 2022, the instruments generated a positive market value adjustment in the result in the amount of R$7,932.

(ii) Cash flow hedge

The purpose of BMG's hedge relationship is to protect the portion of the payment cash flows to be disbursed in the funding of time deposits with floating interest rates indexed by the Interbank Deposit Certificate (CDI) to fixed rates.

In order to protect the future cash flows of the portion of the funding of time deposits against exposure to variable interest rates (CDI and IPCA), the Bank trades 1-day DI and DAP futures contracts at B3 - Brasil, Bolsa, Balcão , with the present market value of funding being R$4,112,211 (2021 – R$1,533,324). These instruments generated an adjustment to market value in equity of R$36,635 (2021 –R$ 14,052), net of tax effects.

(e) Management of derivative financial instruments

The Group is a party to transactions involving financial instruments (differences) recognized in balance sheet or memorandum accounts consistent with market transactions in the same dates to manage its exposure to market, currency, and interest rate risks, which refer basically to transactions intended to hedge assets and liabilities, involving changes in indices used for investing and raising funds, hired for consistent periods, rates, and amounts.

The Group is a party to transactions involving derivative financial instruments (swaps) and futures contracts to hedge own and client assets and liabilities.

These risks are managed through control policies, by setting operating strategies and limits, and several techniques used to monitor liquidity, profitability, and safety positions. The use of derivative financial instruments to minimize market risks originating from interest rate, foreign exchange rate, asset price, and other fluctuations is an integral part of the good practice and a key tool of financial institutions' financial management.

Market risk is the exposure created by potential fluctuations in interest rates, exchange rates, commodity prices, prices quoted on the Stocks market, and for other securities, and is the function of the type of product, the transaction volume, and the term and conditions of the contract and the underlying volatility, Risk management is controlled and monitored independently of the areas generating the risk exposure, Assessment and measurement are carried out on a daily basis using indices and statistical data, utilizing tools such as non-parametric "VaR" and sensitivity analysis in stress scenarios, together with ALCO.

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

8. Financial assets carried at amortized cost

At amortized cost	2022	2021
Loans and other amounts with financial institutions	**223,156**	**167,517**
Correspondent accounts	12,374	12,367
Interbranch accounts	210,782	155,150
Loan operations, net	**18,976,312**	**14,408,817**
Sundry debtors	**799,023**	**875,467**
Sundry debtors (i)	512,516	485,838
Provisions for non-recoverable amounts (i)	(46,411)	(46,461)
Amount receivable for assignment of receivables	87,956	98,026
Others	244,962	338,064
Total	**19,998,491**	**15,451,801**
Current	**10,993,214**	**9,269,656**
Non-current	**9,005,277**	**6,182,145**

(i) Refers to amounts for instalments of payroll loan operations pending transfer by public agencies and provisions for non-recoverable amounts.

Loan operations

(a) Breakdown

The breakdown, per classification, of the loan and lease portfolio balances in the consolidated balance sheets is as follows:

	2022	2021
Loan and lease operations		
Loans and receivables at amortized cost	20,802,116	15,999,893
Provision for the expected losses (impairment)	(1,825,804)	(1,591,076)
Loan and lease operations, net	**18,976,312**	**14,408,817**
Current	**9,971,035**	**8,226,672**
Non-current	**9,005,277**	**6,182,145**

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

(b) Gross carrying amount (loan portfolio)

Reconciliation of the gross portfolio of loan and financial leasing operations, broken down by stage:

Tier 1	Opening balance as at 01/01/2022	Recognition/(settlement)	Closing balance as at 06/30/2022
Consumer direct credit - Personal credit	12,234,274	3,979,206	16,213,480
Individuals	5,482	(435)	5,047
Consumer direct credit - Vehicles	9	3	12
Sales	2,364,648	421,179	2,785,827
Total	**14,604,413**	**4,399,953**	**19,004,366**
Tier 2	**Opening balance as at 01/01/2022**	**Recognition/(settlement)**	**Closing balance as at 06/30/2022**
Consumer direct credit - Personal credit	553,204	175,448	728,652
Individuals	1,471	51	1,522
Consumer direct credit - Vehicles	10	41	51
Sales	2,788	183,242	186,030
Total	**557,473**	**358,782**	**916,255**
Tier 3	**Opening balance as at 01/01/2022**	**Recognition/(settlement)**	**Closing balance as at 06/30/2022**
Consumer direct credit - Personal credit	807,768	42,941	850,709
Individuals	3,232	(1,169)	2,063
Consumer direct credit - Vehicles	60	(28)	32
Sales	26,947	1,744	28,691
Total	**838,007**	**43,488**	**881,495**
Three-tier consolidated	**Opening balance as at 01/01/2022**	**Recognition/(settlement)**	**Closing balance as at 06/30/2022**
Consumer direct credit - Personal credit	13,595,246	4,197,595	17,792,841
Individuals	10,185	(1,553)	8,632
Consumer direct credit - Vehicles	79	16	95
Sales	2,394,383	606,165	3,000,548
Total	**15,999,893**	**4,802,223**	**20,802,116**

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

Tier 1	Opening balance at 01/01/2021	Recognition/(settlement)	Closing balance at 12/31/2021
Consumer direct credit - Personal credit	10,945,135	1,289,139	12,234,274
Individuals	6,299	(817)	5,482
Consumer direct credit - Vehicles	35	(26)	9
Sales	2,057,372	307,276	2,364,648
Total	**13,008,841**	**1,595,572**	**14,604,413**
Tier 2	**Opening balance at 01/01/2021**	**Recognition/(settlement)**	**Closing balance at 12/31/2021**
Consumer direct credit - Personal credit	332,676	220,528	553,204
Individuals	2,161	(690)	1,471
Consumer direct credit - Vehicles			10
Sales	467	2,321	2,788
Total	**335,304**	**222,169**	**557,473**
Tier 3	**Opening balance at 01/01/2021**	**Recognition/(settlement)**	**Closing balance at 12/31/2021**
Consumer direct credit - Personal credit	706,700	101,068	807,768
Individuals	3,725	(493)	3,232
Consumer direct credit - Vehicles	84	(24)	60
Sales	38,129	(11,182)	26,947
Total	**748,638**	**89,369**	**838,007**
Three-tier consolidated	**Opening balance at 01/01/2021**	**Recognition/(settlement)**	**Closing balance at 12/31/2021**
Consumer direct credit - Personal credit	11,984,511	1,610,735	13,595,246
Individuals	12,185	(2,000)	10,185
Consumer direct credit - Vehicles	119	(40)	79
Sales	2,095,968	298,415	2,394,383
Total	**14,092,783**	**1,907,110**	**15,999,893**

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

(c) Expected loan losses

Tier 1	Opening balance as at 01/01/2022	Recognition/(settlement)	Closing balance as at 06/30/2022
Consumer direct credit - Personal credit	453,297	116,984	570,281
Individuals	243	(19)	224
Consumer direct credit - Vehicles	1		1
Sales	49,257	(17,815)	31,442
Total	**502,798**	**99,150**	**601,948**

Tier 2	Opening balance as at 01/01/2021	Recognition/(settlement)	Closing balance as at 06/30/2022
Consumer direct credit - Personal credit	302,463	86,367	388,830
Individuals	501	8	509
Consumer direct credit - Vehicles	2	13	15
Sales	115	10,051	10,166
Total	**303,081**	**96,439**	**399,520**

Tier 3	Opening balance as at 01/01/2021	Recognition/(settlement)	Closing balance as at 06/30/2022
Consumer direct credit - Personal credit	768,473	39,615	808,088
Individuals	2,545	(816)	1,729
Consumer direct credit - Vehicles	55	(25)	30
Sales	14,124	365	14,489
Total	**785,197**	**39,139**	**824,336**

Three-tier consolidated	Opening balance as at 01/01/2021	Recognition/(settlement)	Closing balance as at 06/30/2022
Consumer direct credit - Personal credit	1,524,233	242,966	1,767,199
Individuals	3,289	(827)	2,462
Consumer direct credit - Vehicles	58	(12)	46
Sales	63,496	(7,399)	56,097
Total	**1,591,076**	**234,728**	**1,825,804**

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

Tier 1	Opening balance at 01/01/2021	Recognition/(settlement)	Closing balance at 12/31/2021
Consumer direct credit - Personal credit	391,648	61,649	453,297
Individuals	279	(36)	243
Consumer direct credit - Vehicles	2	(1)	1
Sales	51,742	(2,485)	49,257
Total	**443,671**	**59,127**	**502,798**

Tier 2	Opening balance at 01/01/2020	Recognition/(settlement)	Closing balance at 12/31/2021
Consumer direct credit - Personal credit	183,801	118,662	302,463
Individuals	761	(260)	501
Consumer direct credit - Vehicles		2	2
Sales	157	(42)	115
Total	**184,719**	**118,362**	**303,081**

Tier 3	Opening balance at 01/01/2020	Recognition/(settlement)	Closing balance at 12/31/2021
Consumer direct credit - Personal credit	638,735	129,738	768,473
Individuals	2,517	28	2,545
Consumer direct credit - Vehicles	81	(26)	55
Sales	17,862	(3,738)	14,124
Total	**659,195**	**126,002**	**785,197**

Three-tier consolidated	Opening balance at 01/01/2020	Recognition/(settlement)	Closing balance at 12/31/2021
Consumer direct credit - Personal credit	1,214,184	310,049	1,524,233
Individuals	3,557	(268)	3,289
Consumer direct credit - Vehicles	83	(25)	58
Sales	69,761	(6,265)	63,496
Total	**1,287,585**	**303,491**	**1,591,076**

(d) Breakdown per sector of activity

	2022	2021
Private sector:		
Industry	174,520	145,778
Commerce	112,888	108,751
Financial intermediaries	1,026,400	141,669
Other services	1,351,257	1,630,292
Individuals	18,137,051	13,973,403
Total	**20,802,116**	**15,999,893**

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

Per maturity

	2022		2021	
	Valor	%	Valor	%
Past due for over 14 days	1,003,416	4.8%	881,540	5.5%
Past due for less than 14 days	39,093	0.2%	75,262	0.5%
To fall due:				
Within 30 days	5,808,212	27.9%	5,088,475	31.8%
From 31 to 60 days	885,804	4.3%	663,161	4.1%
From 61 to 90 days	654,491	3.1%	493,534	3.1%
From 91 to 180 days	1,357,833	6.5%	1,020,931	6.4%
From 181 to 360 days	1,844,754	8.9%	1,400,369	8.8%
Over 360 days	9,208,513	44.3%	6,376,621	39.9%
Total	**20,802,116**	**100%**	**15,999,893**	**100%**

(e) Changes in the provision for impairment losses

	2022	2021
On January 1	**1,591,076**	**1,287,585**
Addition of provision	725,970	1,096,102
Write-off against provision	(491,242)	(792,611)
Total on June 31	**1,825,804**	**1,591,076**

9. Property and equipment

The Group's tangible assets consist of property and equipment in use. The Group does not have tangible assets held as investment property and is not a party to any lease agreement for the periods ended June 30, 2022 and December 31, 2021.

Changes in property and equipment:
The depreciation expenses were accounted for in account "General and administrative expenses", in the statement of income.

	Land and buildings	Data processing system	Installations, furniture and equipment in use	Comm, system	Transport, system	TOTAL
As at 12/31/2021						
Cost	16,686	126,847	148,994	2,618	9,816	304,961
Accumulated depreciation	(12,975)	(104,370)	(97,807)	(984)	(6,529)	(222,665)
Net carrying amount	**3,711**	**22,477**	**51,187**	**1,634**	**3,287**	**82,296**
As at 06/30/2022						
Opening balance	**3,711**	**22,477**	**51,187**	**1,634**	**3,287**	**82,296**
Additions		2,980	7,322	156	2,387	12,845
Disposals		(7)	(3,118)	(177)	(500)	(3,802)
Depreciation		(4,601)	(4,116)	(91)	(682)	(9,490)
Cost	16,686	129,820	153,198	2,597	11,703	314,004
Accumulated depreciation	(12,975)	(108,971)	(101,923)	(1,075)	(7,211)	(232,155)
Net carrying amount	**3,711**	**20,849**	**51,275**	**1,522**	**4,492**	**81,849**

There is no contractual commitment for the purchase of property and equipment and no property and equipment item was pledged as collateral.

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

10. Intangible assets

	2022	2021
On January 1	**1,257,546**	**1,215,701**
Goodwill on acquisition of subsidiary (Addition/Write-off)		(14,265)
Other Intangibles (Addition/Write-off)	39,864	56,110
Total	**1,297,410**	**1,257,546**
	2022	**2021**
Goodwill upon acquisition of the subsidiary	1,004,513	1,004,513
Goodwill on acquisition of subsidiary	292,897	253,033
Net carrying amount	**1,297,410**	**1,257,546**

On August 18, 2011, after the acquisition of Banco BCV S.A., the Company recognized goodwill amounting to R$995,582.

In June 2021, it includes the write-off of goodwill related to the reduction of the stake in Granito Soluções em Pagamentos S.A., in the amount of R$ 22,985 (note 4,10).

Goodwill arising on the acquisition of Banco BCV S.A. is fully allocated to the retail segment.

Impairment test:

According to a study carried out, the need to recognize the goodwill impairment loss on June 30, 2022 was not identified.

The recoverable amount of goodwill was calculated based on its value in use. The calculation uses income projections based on the five-year budget, approved by management. The income projections take into consideration the discount rates sensibilized by 10% to 15% and perpetuity sensibilized by 3% to 5%.

11. Other assets

	2022	2021
Advance expenses from insurance operations	385,495	329,383
Insurance premiums receivable	345,587	283,986
Right-of-use assets	102,346	105,621
Other assets	245,324	104,881
Total	**1,078,752**	**823,871**
Current	**721,108**	**569,680**
Non-current	**357,644**	**254,191**

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

12. Financial liabilities

Classification per nature and category

The classification per nature and category for valuation purposes of the Bank's financial liabilities as of June 30, 2022 and December 31, 2022 is as follows:

06/30/2022	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Client deposits (Note 15)		20,153,919	**20,153,919**
Borrowings or transfers of financial assets (Note 13)		1,290,269	**1,290,269**
Borrowings and onlendings (Note 14)		604,954	**604,954**
Borrowings of securities and financial bills (Note 16)		2,324,208	**2,324,208**
Subordinated financial bills and debt (Note 17)		382,801	**382,801**
Other financial liabilities (Note 18)		801,768	**801,768**
Compromised operations		8,404,916	**8,404,916**
Derivative financial instruments (Note 7)	154,283		**154,283**
Total	**154,283**	**33,962,835**	**34,117,118**
Current	**148,691**	**16,530,886**	**16,679,577**
Non-current	**5,592**	**17,431,949**	**17,437,541**

12/31/2021	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Client deposits (Note 15)		17,211,181	**17,211,181**
Borrowings or transfers of financial assets (Note 13)		1,536,250	**1,536,250**
Borrowings and onlendings (Note 14)		562,573	**562,573**
Borrowings of securities and financial bills (Note 16)		1,937,649	**1,937,649**
Subordinated financial bills and debt (Note 17)		129,486	**129,486**
Other financial liabilities (Note 18)		721,885	**721,885**
Compromised operations		5,941,967	**5,941,967**
Derivative financial instruments (Note 7)	65,332		**65,332**
Total	**65,332**	**28,040,991**	**28,106,323**
Current	**64,623**	**13,995,537**	**14,060,160**
Non-current	**709**	**14,045,454**	**14,046,163**

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

13. Borrowings or transfers of financial assets

	2022	2021
Borrowings (assignments with co-obligation)	1,290,269	1,536,250
Total	**1,290,269**	**1,536,250**
Current	**65,087**	**127,472**
Non-current	**1,225,182**	**1,408,778**

14. Borrowings and onlendings

	2022	2021
Commitments payable – FGC (ii)	544,513	516,609
Onlendings – Domestic - Finame / Rural credit	60,441	45,964
Total	**604,954**	**562,573**
Current	**60,441**	**50,964**
Non-current	**544,513**	**511,609**
Term:		
Within 30 days	60,441	45,964
After 360 days	544,513	516,609
Total	**604,954**	**562,573**

(i) These refers to a loan from the FGC - Credit Guarantor Fund, with maturity in 2026.

15. Client deposits

	2022	2021
Demand deposits	280,030	256,186
Interbank deposits	131,400	77,605
Time deposits	19,742,489	16,877,390
Total	**20,153,919**	**17,211,181**
Current	**5,896,879**	**5,796,474**
Non-current	**14,257,040**	**11,414,707**

Term

	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days	Total
On 06/30/2022							
Demand deposits	280,030						**280,030**
Interbank deposits		104,846	5,444	725	7,071	13,314	**131,400**
Time deposits	1,325,225	429,203	617,279	805,362	2,321,694	14,243,726	**19,742,489**
On 12/31/2021							
Demand deposits	256,186						**256,186**
Interbank deposits	5,688	2,575	20,370	3,085	38,340	7,547	**77,605**
Time deposits	1,257,814	164,926	339,076	1,864,878	1,843,536	11,407,160	**16,877,390**

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

16. Borrowings of securities and financial bills

	2022	2021
Financial bills	2,196,401	1,831,536
Agribusiness credit bills	123,480	95,653
Real estate credit bills	4,327	10,460
Total	**2,324,208**	**1,937,649**
Current	**1,355,604**	**1,413,640**
Non-current	**968,604**	**524,009**

Term	2022	2021
Within 30 days	34,719	9,912
From 31 to 60 days	5,447	23,067
From 61 to 90 days	52,295	58,768
From 91 to 180 days	1,233,712	180,486
From 181 to 360 days	29,431	1,141,407
After 360 days	968,604	524,009
Total	**2,324,208**	**1,937,649**

17. Subordinated financial bills and debt

	Issue	Maturity	Currency	Interest Rate (p,y,)	2022	2021
Local (i):						
Financial bills subordinated	1nd quarter/19	1nd quarter/26	R$	124% of CDI	6,164	5,775
Financial bills subordinated	2nd quarter/19	2nd quarter/26	R$	122% of CDI	14,440	13,542
Financial bills subordinated	3nd quarter/19	3nd quarter/29	R$	124% of SELIC	1,063	1,036
Financial bills subordinated	2nd quarter/19	Perpetual	R$	IPCA + 6.60% to 6.67% 126% to 130% of SELIC	109,033	107,891
Financial bills subordinated	3nd quarter/19	Perpetual	R$	126% of SELIC	1,273	1,242
Financial bills subordinated	2nd quarter/22	2nd quarter/32	R$	18,15% - Fixed rate	125,414	
Financial bills subordinated	2nd quarter/22	2nd quarter/34	R$	18,15% - Fixed rate	125,414	
Total					**382,801**	**129,486**
Non-current					**382,801**	**129,486**

(i) Funding made through the issuance of Financial Bills with subordination clauses, maturing and perpetual, subject to the conditions determined by CMN Resolution No 4.192/13 and 4.955/21, fully approved by BACEN to comprise Complementary Capital and Level II of Banco BMG Reference Equity. Fixed rate subordinated financial bills have their exposure to variations in market risk protected by hedges (see note 7 (c) (ii)).

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

18. Other financial liabilities

	2022	2021
Social and statutory	158,277	218,640
Commitments payable – Card	32,630	50,425
Card – transactions paid in installments with no interest	310,319	225,113
Leasing operations	98,195	103,634
Other creditors	202,347	124,073
Total	**801,768**	**721,885**
Current	**747,959**	**665,020**
Non-current	**53,809**	**56,865**

19. Provisions

	Tax and social security provisions (i)	Provisions for labor charges (ii)	Civil claims (iii)	Total
At the beginning of the year – 2021	**52,581**	**79,157**	**487,777**	**619,515**
Recognition	14,488	22,778	470,045	**507,311**
(Reversal/Utilization)	(4,335)	(22,580)	(366,377)	**(393,292)**
Carrying amount December – 2021	**62,734**	**79,355**	**591,445**	**733,534**
Recognition	38,306	12,597	196,690	**247,593**
(Reversal/Utilization)	(4,774)	(14,560)	(173,251)	**(192,585)**
Carrying amount June - 2022	**96,266**	**77,392**	**614,884**	**788,542**

	Taxes and social security	Labor	Civil claims	Total
06/30/2022				
Provisions	96,266	77,392	614,884	**788,542**
Judicial deposits	(240,650)	(18,343)	(92,921)	**(351,914)**
12/31/2021				
Provisions	62,734	79,355	591,445	**733,534**
Judicial deposits	(226,727)	(25,742)	(113,215)	**(365,684)**

The Group is a party to labor, civil, and tax lawsuits. The assessment to recognize provisions is made according to the criteria described in Note 2,14, The Group's management believes that the provision recognized is sufficient to cover losses arising from the related lawsuits.

In the course of its regular activities, the Group is a party to the following contingencies: a) contingent assets - There are no recognized contingent assets; b) Provisions - Are classified and presented together with their judicial deposits, as follows:

(i) Provision for tax risks - The judicial actions are equivalent to the amount of the principal of taxes related to administrative or judicial proceedings, which are subject to self-assessment or official assessment, plus interest and, when applicable, fines and charges. A provision is recorded, regardless of the likelihood of loss, when related to a legal obligation, that is, for a favorable outcome in the matter the law in effect must be declared unconstitutional. For other cases, a provision is recorded whenever the likelihood of loss is probable.

No provision is recognized for tax contingent proceedings in which the likelihood of loss is considered as possible, amounting to an estimated total of R$1,229,593 (12/31/2021 – R$1,199,741). These proceedings refer mainly to federal taxes.

The Group is a party to judicial actions and administrative proceedings, arising in the normal course of its operations, involving tax and other matters.

The main questions are:

a) CSLL – R$234,055 (2021 - R$226,682): final and non-appealable court decision declaring the right not to pay the Social Contribution on Net Profit, under the terms established by Law 7,689/88;

b) IRPJ/IRRF/CSLL 2012, 2014 and 2015 – R$419,287 (2021 – R$386,277): questions the collection of income taxes and social contributions on expenses alleged to be non-deductible;

c) IR and CS 2016 – R$112,528 (2021 - R$110,194): Tax Deduction of Losses in Credit Operations - Law No. 9,430/96;

d) PIS and COFINS – R$127,121 (2021 - R$102,106): Losses from Doubtful Credits: the deduction of credit losses under Law 9,718/98 is under discussion;

e) INSS - Non-Compensatory Funds – R$31,635 (2021 – R$32,522): questions the payment of the employer's portion on directors' shareholdings, pursuant to Law No, 8,212/91; and

f) SAT – Law no, 11,430/06 – R$31,742 (2021 - R$29,043): under discussion is the unconstitutionality and illegality of the SAT under the terms of article 21-A of Law no, 8,213/91, introduced by Law no, 11,430/06, with the consequent recognition of the non-existence of a judicial-tax relationship that obliges the Co-Complainants to comply with such provisions, maintaining the original regulatory and legal wording.

(ii) **Provisions for labor claims** – A calculation is made periodically to determine a claim's amount, stage and the likelihood of loss, which in turn is estimated according to the characteristics as a matter of fact or of law related to the proceeding, the amounts considered as probable losses are provided for in accounting.

The judicial actions are related to lawsuits discussing the alleged labor benefits derived from labor laws and regulations specifically relating to a professional category, such as overtime pay, salary equalization, job reinstatement, premium for transfer, among other matters.

Contingent labor claims assessed as a possible risk of loss are not recognized in the accounts. As of June 30, 2022, there are no lawsuits classified as a possible loss, these proceedings are classified as a probable or remote loss.

(iii) **Provisions for civil lawsuits** – The provision for individualized civil actions, lawsuits with peculiar characteristics, is periodically recognized based on the determined risk amount and likelihood of loss, the provision for collective civil lawsuits is periodically recognized using as benchmark the average loss over time applied to the base of ongoing cases. The amounts considered as probable losses are provided for in accounting.

The civil lawsuits are in general arising from compensation for material and moral damages, mostly from the Special Civil Court.

No provision is recorded for civil contingencies representing possible risk of loss, amounting to an estimated R$866,150 (12/31/2021 – R$737,095), These claims refer to compensation claims or collections.

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

20. Current and deferred income tax and social contribution

The Group separately calculates, in each fiscal year, Income Tax and Social Contribution on Net Income. The taxes are calculated at the rates shown below and consider, for the purpose of the respective calculation bases, the legislation in force relevant to each charge.

Income Tax (i)	15.00%
Income Tax Surcharge (i)	10.00%
Social Contribution on the Net Profit (i)	20.00%

(i) see note 2,15

Deferred income tax and social contribution are calculated on income tax and social contribution loss carryforwards and temporary differences arising between the tax bases of these taxes on assets and liabilities and their carrying amounts in the financial statements.

The recoverable amounts are as follows:

	2022	2021
Deferred tax asset		
Recoverable within 12 months	335,997	602,159
Recoverable after 12 months	2,584,321	2,366,011
Total deferred tax asset (i)	**2,920,318**	**2,968,170**
Deferred tax liability		
To be settled within 12 months	183,659	105,680
Total deferred tax liability	**183,659**	**105,680**
Deferred tax assets, net	**2,736,659**	**2,862,490**

(i) Deferred income tax and social contribution credits

	2022	2021
Deferred tax asset		
On temporary additions	2,429,614	2,230,527
On tax losses/ tax loss carryforwards	738,767	757,362
Social contribution – Provisional Measure (MP) No, 2,158/35)	547	547
Adjustment to market value in equity	62,454	301,082
Income tax and social contribution on accounting practice adjustments	(311,064)	(321,348)
Total deferred tax asset	**2,920,318**	**2,968,170**

The Group recognizes all tax credits arising from temporary difference or and tax loss carryforwards.

The Group adopts the practice of recognizing deferred tax credits and tax payables on all temporary differences and tax loss carryforwards. On June 30, 2022, these balances have the following characteristics:

- The tax credits relating to temporary add-back refer mainly to contingencies currently being discussed in courts the realization of which depends on the resolution of the court challenges and the provision for impairment of receivables the realization of which depends on the deductibility criteria prescribed by Law nº 9,430/96.

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

(a) The changes in the tax credits can be shown as follows:

	Social contribution MP 2,158- 35	Temporary additions	Tax losses/ Tax loss carryforwards	Adjustment to market value in equity	Other	Total
On December 31, 2021	**547**	**2,230,527**	**757,362**	**301,082**	**(321,348)**	**2,968,170**
Recognition		372,443	(1,038)	84,973	10,284	466,662
(Reversal/Utilization)		(173,356)	(17,557)	(323,601)		(514,514)
On June 30, 2022	**547**	**2,429,614**	**738,767**	**62,454**	**(311,064)**	**2,920,318**

	Social contribution MP 2,158- 35	Temporary additions	Tax losses/ Tax loss carryforwards	Adjustment to market value in equity	Other	Total
On December 31, 2020	**547**	**1,949,171**	**778,766**	**17,155**	**(378,595)**	**2,367,044**
Recognition		654,495	(2,257)	301,082	57,247	1,010,567
(Reversal/Utilization)		(373,139)	(19,148)	(17,155)		(409,442)
On December 31, 2021	**547**	**2,230,527**	**757,362**	**301,082**	**(321,348)**	**2,968,170**

The effects arising from the adjustments to accounting policy are included in the column "Others".

(b) Reconciliation of income tax and social contribution in the statement of income

	06/30/2022		06/30/2021	
	Income tax	Social contribution	Income tax	Social contribution
Income (loss) before income tax	**(132,675)**	**(132,675)**	**86,539**	**86,539**
Interest on capital	(106,500)	(106,500)	(92,451)	(92,451)
Statutory interests	(20,159)	(20,159)	(38,443)	(38,443)
Permanent additions (exclusions):				
Equity pickup method			(30,870)	(30,870)
Exchange variation on foreign investments			4,960	4,960
Technological innovation – Law No, 11,196/05 (i)	(49,299)	(49,299)	(28,274)	(28,274)
Others	(4,151)	(4,151)	(24,654)	(30,500)
Calculation basis	**(312,784)**	**(312,784)**	**(123,193)**	**(129,039)**
Base rate	46,917	62,558	(18,479)	(25,807)
Additional rate	31,278		(12,319)	
Expense (income) from income tax and social contribution	**78,195**	**62,558**	**(30,798)**	**(25,807)**

(i) Law No. 11.196/2005, art.17, item I.

21. Other liabilities

	2022	2021
Insurance operations	828,080	697,344
Provision for payables	286,027	199,634
Sundry creditors	479,906	553,274
Total	**1,594,013**	**1,450,252**
Current	**1,123,153**	**935,946**
Non-current	**470,860**	**514,306**

22. Capital and reserves

(a) Capital

On June 30, 2022, the subscribed and paid-in capital stock is R$ 3,742,571, represented by 583,232,411 (five hundred and eighty-three million, two hundred and thirty-two thousand, four hundred and eleven) shares, of which 372,696,198 (three hundred and seventy-two million, six hundred and ninety-six thousand and one hundred and ninety-eight) common shares and 210,536,213 (two hundred and ten million, five hundred and thirty-six thousand and two hundred and thirteen) preferred, registered, book-entry shares with no par value.

At a meeting held on March 18, 2020, the Board of Directors of the Bank resolved to cancel 11,981,100 (eleven million, nine hundred and eighty-one thousand and one hundred) preferred shares issued by the Bank held in treasury ("Shares"), without reducing the value of the Bank's capital stock, acquired through the buyback program approved by the Bank's Board of Directors at a meeting held on December 10, 2019. As a result, on the same date, the own stock buyback program approved at the meeting of the Board of Directors on December 10, 2019 ended early.

At the same meeting, the Board of Directors of the Bank approved a new stock buyback program, authorizing the acquisition of up to 10,700,112 (ten million, seven hundred thousand and one hundred and twelve) of the Bank's own preferred shares, without reducing the value of the capital stock, corresponding to up to 10.0% (ten percent) of the outstanding shares for treasury maintenance, cancellation or replacement in the market or, also, payment of remuneration to executives of the Bank under long-term incentive plans of the Bank, according to §§ 1 and 2 of article 30 of the Brazilian Corporations Law and CVM Instruction 567/15.

At a meeting held on March 30, 2021, the Bank's Board of Directors resolved to cancel 8,242,120 (eight million, two hundred and forty-two thousand, one hundred and twenty) preferred shares issued by the Bank held in treasury ("Shares"), without reducing the value of the Bank's share capital, acquired through the repurchase program approved by the Bank's Board of Directors at a meeting held on March 18, 2020. Due to the cancellation of the shares, the share capital of the Bank remains unchanged, being divided into 583,232,411 (five hundred and eighty-three million, two hundred and thirty-two thousand, four hundred and eleven) book-entry shares with no par value, being 400,007,354 (four hundred million, seven thousand, three hundred and fifty-four) common shares and 183,225,057 (one hundred and eighty-three million, two hundred and twenty-five thousand, fifty-seven) preferred shares.

At the same meeting, the Board of Directors of the Bank approved a new stock repurchase program, authorizing the acquisition of up to 9,905,227 (nine million, nine hundred and five thousand and twenty-seven) preferred shares issued by the Bank, without reducing the value of the capital stock, corresponding to up to 10.0% (ten percent) of the outstanding shares for treasury maintenance, cancellation or replacement in the market or, also, payment of remuneration to executives of the Bank under long-term incentive plans of the Bank, according to §§ 1 and 2 of article 30 of the Brazilian Corporations Law and CVM Instruction 567/15.

In a notice to the market on June 30, 2022, the Bank announced the end of the share buyback program approved by the Bank's Board of Directors on March 30, 2021, the shares repurchased under the Program will be held in treasury for later cancellation or relocation to the market or, even, payment of share-based compensation to executives and other beneficiaries of the Bank's long-term incentive plans.

				Own shares
	Own shares 12/31/2021	Acquisition of Own Shares	Cancellation of own shares	Own shares 06/30/2022
Quantity	**51,107**	1,554,000	(1,402,575)	**202,532**
Balance in thousands of reais	**(254)**	(5,144)	4,936	**(462)**

	Changes in the number of shares	
	12/31/2021	06/30/2022
Common	372,696,198	372,696,198
Preferred	210,536,213	210,536,213
Total	**583,232,411**	**583,232,411**

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

	Number of shares in circulation (i)		
	Common	Preferred	Total
As at 12/31/2021	**1,251,558**	**101,526,675**	**102,778,233**
Change in treasury shares		(198,451)	**(198,451)**
Change in shares held by controlling shareholders and officers		(1,150,123)	**(1,150,123)**
As at 06/30/2022	**1,251,558**	**100,178,101**	**101,429,659**

(i) Outstanding shares, according to art, 67, CVM 80/22, are defined as all the issuer's shares, with the exception of those held by the controller, by people linked to it, by the issuer's managers and those held in treasury.

(b) Other Comprehensive Income

In June 2022, adjustments were made to other comprehensive income in the positive amount of R$ 372,527 (6/30/2021 – negative R$ 111,314). The balance on 6/30/2022 is negative at R$ 76,333 (6/30/2021 – negative at R$130,156). In June 2022, the variation refers mainly to the reclassification of the mark-to-market of Financial Instruments (see note 2.7.1 (a)) and the Cash Flow Hedge..

(c) Revenue reserves

	2022	2021
Revenue reserve		
Legal	132,284	127,287
Tax incentives	5,894	5,894
Statutory	383,379	394,763
Total	**521,557**	**527,944**

The changes in the revenue reserves refer to the recognition of a 5% legal reserve on net income for the year and the remaining undistributed amount was allocated to the statutory reserve, as described below.

Legal: Recognized as 5% of net income for the year, limited to 20% of capital.

Statutory: Recognized based on net income not distributed after all allocation and its accumulated is available to stockholders for future decision at a General Stockholders' Meeting.

Tax incentives: Arising on the amounts of the options for income tax incentives.

(d) Interest on capital

Stockholders are entitled to receive as mandatory dividends, in each fiscal year, an amount of not less than twenty five percent (25%) of the adjusted net income, as provided for in the Brazilian Corporate Law.

Interest on Shareholders' Equity was established by Law nº 9,249/95, which in its art, 9, and amendments, allows companies to deduct the Real Profit and Social Contribution from the duly recorded financial expense resulting from the application of the TJLP on shareholders' equity as compensation to the shareholder. It should be noted that, during 2020, the Bank complied with the provisions of CMN Resolution nº 4,820/20.

On June 30, 2022, the amount of R$106,500 was provisioned as interest on equity, the payment of which will be defined and resolved in the minutes.

(e) Retained earnings (accumulated deficit)

The contra entries to the adjustments referring to the differences between BRGAAP and IFRS that had an impact on the balance sheet were recognized in this account. Additionally, income for said years were also recognized in this account.

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

23. Earnings per share

(a) Basic and diluted

Basic earnings per share are calculated by dividing the profit attributable to Company's stockholders by the weighted average number of common and preferred shares issued during the year. Diluted earnings per share is calculated by adjusting the weighted average number of common and preferred shares outstanding to assume conversion of all dilutive potential common and preferred shares. However, there are no potentially dilutive Company common and preferred shares and, therefore, basic earnings per share are equal to diluted earnings per share.

Earnings per share	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Profit attributable to stockholders of the Company	(699)	6,588	88,990	142,642
Weighted average number of outstanding shares	583,120,382	583,120,382	585,576,329	585,576,329
Basic and diluted earnings per share (in *reais)*	(0.0012)	0.0113	0.1520	0.2436

24. Profit or loss

(a) Interest income and cost

The table below shows the breakdown of interest and similar proceeds income and expenses:

	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Interest income and similar earnings	**1,579,760**	**2,938,100**	**1,066,054**	**2,135,446**
Interest on credit operations	1,302,648	2,380,474	889,972	1,830,524
Interest on other loans and receivables	14,887	15,966	331	1,236
Interest on other financial assets	330,698	545,225	179,717	323,812
Mark-to-market of other financial assets	(68,473)	(3,565)	(3,966)	(20,126)
Interest cost and similar expenses	**(790,334)**	**(1,776,385)**	**(534,875)**	**(795,972)**
Funds raised in the market	(157,048)	(613,395)	(225,058)	(222,943)
Borrowings and onlendings	(15,993)	(29,497)	(5,064)	(8,987)
Time deposits	(617,293)	(1,133,493)	(304,753)	(564,042)
Total	**789,426**	**1,161,715**	**531,179**	**1,339,474**

(b) Gain (loss), net and financial assets and financial liabilities

	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Swap Adjustment Result/Term/Options	43,926	(94,647)	(52,431)	20,886
Result from futures operations	(47,544)	473,850	240,930	86,231
Total	**(3,618)**	**379,203**	**188,499**	**107,117**

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

(c) General and administrative expenses

	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Salaries and payroll charges	(95,216)	(187,224)	(55,400)	(131,380)
Benefits	(22,913)	(46,402)	(52,969)	(68,929)
Training programs	(309)	(1,064)	(276)	(811)
Depreciation and amortization (i)	(22,744)	(43,651)	(12,300)	(61,753)
Marketing	(33,145)	(60,739)	(44,848)	(72,637)
Promotions and public relations	(7,815)	(8,048)	(125)	(305)
Communications	(5,901)	(10,467)	(13,182)	(27,865)
Data processing	(47,999)	(94,288)	(37,851)	(76,139)
Insurance	(1,146)	(2,811)	(1,241)	(3,093)
Outsourced services	(38,205)	(72,842)	(33,236)	(66,339)
Specialized technical services	(84,679)	(160,589)	(69,179)	(129,624)
Sundry materials	(697)	(1,261)	(631)	(1,245)
Banking fees and charges	(4,986)	(10,026)	(4,969)	(10,025)
Transportation	(1,978)	(3,259)	(1,635)	(3,125)
Travelling	(4,660)	(7,800)	(1,398)	(3,673)
Expenses from leasing operations	(7,300)	(15,220)	(15,359)	(17,618)
Other administrative expenses	(20,215)	(38,444)	(2,995)	(17,124)
Total	**(399,908)**	**(764,135)**	**(347,594)**	**(691,685)**

(i) On June 2021, it includes the write-off of goodwill related to the reduction of the stake in Granito Soluções em Pagamentos S.A., in the amount of R$ 22,985 (note 4.10).

(d) Tax expenses

In the semester ended June 30, 2022, the total balance of tax expenses was R$101,024 (2021 – R$80,736). This amount basically refers to PIS (Social Integration Program) expenses in the amount of R$38,957 (2021 – R$10,863) and COFINS (Contribution for Social Security Financing) in the amount of R$48,740 (2021 – R$65,087).

(e) Other operating income and expenses

	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Other operating income				
Recovery of charges and expenses	3,315	5,330	4,277	8,437
Monetary variation – asset			798	928
Result from insurance operations	43,599	79,128	30,441	60,473
Equity Interest Gain (note 28(d))	9,965	19,930		
Adjustment of taxes to be compensated	3,775	6,895	3,236	3,887
Share of premiums issued	23,273	26,273		3,000
Revenues from franchises	1,777	2,022	2,510	5,527
Other	355	718	1,429	3,847
Total	**86,059**	**140,296**	**42,691**	**86,099**

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

	2nd quarter 2022	1st semester 2022	2nd quarter 2021	1st semester 2021
Other operating expenses				
Monetary and exchange variation - liability	(4,511)	(5,777)		
Collection expenses	(3,433)	(6,863)	(4,469)	(8,460)
Expenses on fund transfer intermediation	(24,992)	(48,808)	(23,132)	(46,040)
Operating provision expenses (i)	(129,733)	(244,296)	(148,232)	(261,538)
Other	(50,417)	(93,193)	(6,032)	(37,126)
Total	**(213,086)**	**(398,937)**	**(181,865)**	**(353,164)**
Total other operating expenses, net	**(127,027)**	**(258,641)**	**(139,174)**	**(267,065)**

(i) The “Operating provisions expenses” item, basically includes expenses for tax, civil and labor contingencies.

25. Revenue from the provision of services

In the semester ended June 30, 2022, the balance of revenue from the provision of services is de R$64,723 (2021 – R$44,490), The balance refers basically to income from banking fees totaling R$11,634 (2021 – R$7,051) and card interchange revenue R$27,929 (2021 – R$17,878).

26. Dividends and interest on capital payable

Dividends already paid and proposed dividends on June 30, 2022 and 2021 were calculated according to the Brazilian accounting applicable to financial institutions authorized to operate by the Central Bank of Brazil, on the individual financial statements of Banco BMG S.A. as shown below:

	2022	2021
Profit for the year under BRGAAP	99,934	151,289
Recognition of legal reserve (5%)	(4,997)	(7,564)
Calculation basis of dividends	94,937	143,725
Minimum compulsory dividend (25%)	23,734	35,931

Stockholders are entitled to receive as mandatory dividends, in each fiscal year, an amount of not less than twenty-five percent (25%) of the adjusted net income, as provided for in the Brazilian Corporate Law.

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

27. Transactions with related parties

(a) The intragroup transactions included in consolidation were eliminated from the consolidated financial statements. The main balances with related parties can be shown as follows:

	Asset (Liability)		Income (Expense)	
Related-party transactions	**06/30/2022**	**12/31/2021**	**06/30/2022**	**06/30/2021**
Interbank deposits				
BMG Bank (Cayman) Ltd,	1,383,352	1,230,648	23,859	11,448
Marketable securities				
Companhia Securitizadora de Créditos Financeiros Cartões Consignados II	1,172,709	1,326,271	82,346	30,990
Credit operations				
Key Management personnel	4,478	4,222		
Others related-party – Legal Person	7,501	22,275	1,136	572
Income receivable				
Banco Cifra S.A.	11,801	6,561		
Banco BCV S.A.	19,523	10,886		
BMG Leasing S.A. – Arrendamento mercantil	17,616	10,179		
Bmg S.A. Distribuidora De Títulos E Valores Mobiliários	447	313		
Other receivables				
Banco Cifra S.A.	89	179		
Banco BCV S.A.	43	1,813		
Collection services				
EGL – Empreendimentos Gerais Ltda.		71		
Demand deposits				
BMG Leasing S.A. – Arrendamento Mercantil		(192)		
Bmg S.A. Distribuidora De Títulos E Valores Mobiliários	(2,794)	(123)		
EGL - Empreendimentos Gerais Ltda	(12)	(925)		
Help Franchising	(856)	(1,309)		
CBFácil Corretora de Seguros e Negócios Ltda	(1,162)	(5)		
ME Promotora de Vendas Ltda	(974)	(2,857)		
BMG Soluções Eletrônicas S, A	(23)	(333)		
Bmg Participações Em Negócios Ltda	(89)	(192)		
Cmg Corretora De Seguros	(120)	(187)		
Granito Soluções em Pagamentos S.A.	(540)	(540)		
Interbank deposits				
Banco BCV S.A.	(1,108,116)	(1,043,729)	(64,714)	(15,474)
Banco Cifra S.A.	(680,392)	(644,112)	(39,362)	(9,704)
BMG Leasing S.A. – Arrendamento Mercantil	(923,943)	(887,679)	(53,233)	(12,995)
Bmg S.A. Distribuidora De Títulos E Valores Mobiliários	(7,343)	(9,529)	(481)	(147)
Time deposits				
EGL - Empreendimentos Gerais Ltda	(2,575)	(6,608)	(266)	(60)
Help Franchising	(10,524)	(11,135)	(484)	(155)
ME Promotora de Vendas Ltda	(9,575)	(9,123)	(523)	(88)
CBFácil Corretora de Seguros e Negócios Ltda	(502,340)	(291,755)	(24,802)	(7,852)
BMG Soluções Eletrônicas S, A	(407)	(385)	(22)	(4)
Bmg Participações Em Negócios Ltda	(8,753)	(15,109)	(746)	(289)
Cmg Corretora De Seguros	(8,196)	(7,364)	(772)	(109)
Financial bills obligations				
CBFácil Corretora de Seguros e Negócios Ltda	(227,503)	(435,606)	(17,019)	(7,670)
Other liabilities				
Banco BCV S.A.	(6)	(426)		
Bmg S.A. Distribuidora De Títulos E Valores Mobiliários	(618)	(454)		
EGL – Empreendimentos Gerais Ltda.	(185)	(567)		

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

(b) Short-term benefits to management members

	2022	2021
Fixed compensation	23,661	19,549
Social security contribution	5,324	4,399
Total	**28,985**	**23,948**

(c) Share-based payment

In order to stimulate the development of a long-term vision and alignment between the interests of employees, officers and shareholders of the BMG Group, enabling the Company to attract and retain talent, maximize the generation of income and encourage value creation in a sustainable manner, a Long-Term Incentive Plan was implemented in 2020 with payment based on Shares, whose supervision, planning and control is the responsibility of the Board of Directors,

This program makes it possible for officers and other eligible employees to receive the Company's "BMGB4" preferred shares as a long-term incentive, comprising their respective variable remuneration ("Performance Shares Units" or "PSU"), observing, when applicable, the conditions of CMN Resolution No, 3,921/10, CPC Technical Pronouncement 10 "Share-Based Payment" and the Company's Directors Compensation Policy.

The number of shares to be awarded under this plan shall not exceed 10% of the outstanding shares on March 18, 2020 and will be evaluated according to the weighted average of the closing price of the share in the 20 trading sessions immediately prior to the date of the PSU calculation.

In line with the Share-based Long-Term Incentive Plan, the Bank paid R$4,936 in the semester ended in June 2022 to directors and other eligible employees, net of tax effects.

(d) Other information

Pursuant to Resolution Nº 4,693, as of January 2019, financial institutions may carry out credit operations with related parties, in compliance with the conditions and limits defined by the aforementioned resolution. Accordingly, Banco BMG established a policy to conduct credit operations with related parties, duly approved by the Board of Directors and formalized in a specific document made available to the Central Bank of Brazil.

(e) Equity interest

The members of the board of directors and the executive board jointly hold the following equity interests in BMG:

		2022
Common and preferred shares	**Number**	**%**
Administrative Council	210,900,780	36.2%
Board of Directors	1,252,690	0.2%
Other	371,078,941	63.6%
Total	**583,232,411**	**100%**

		2021
Common and preferred shares	**Number**	**%**
Administrative Council	210,487,277	36.1%
Board of Directors	388,577	0.1%
Other	372,356,557	63.8%
Total	**583,232,411**	**100%**

28. Other information

(a) Commitments and Guarantees

Guarantees and sureties given by the Financial Conglomerate to customers amount to R$255,533 (2021 – R$263,025) and are subject to financial charges and counter-guarantees from the beneficiaries.

(b) Other Information

(i) Agreements for the clearing and settlement of liabilities in the National Financial System environment

In order to allow the offsetting of credits and debits held with a single counterparty, whose maturities of the rights and obligations may be accelerated to the date on which the event of default by either parties occurs, the BMG Conglomerate, pursuant to CMN Resolution No, 3,263, of February 24, 2005, entered into compensation agreements in the scope of derivative agreements, as well as agreements for the offset and settlement of assets and liabilities.

(ii) Impacts of the COVID 19 pandemic (Coronavirus)

In line with the Official Letter No, 02/2020 issued by CVM, in the face of the COVID-19 pandemic, the Group is thinking about everyone and, toward this end, has taken all necessary measures and care to minimize the impacts of the pandemic as much as possible.

Beyond just taking all the necessary measures and care to minimize the effects of the pandemic, the Group adapted the way it relates with its clients, prioritizing remote service and the digital formalization of contracts, directing and accelerating its strategic efforts for technological, cultural and behavioural progress.

The scenario of uncertainties caused by the COVID-19 Pandemic has brought an increase in expected losses, for which continuous monitoring has been maintained, In response, the Group established, in 2020, an additional provision in the amount of R$20,000 in stage 1. This provision was calculated based on the analysis of potential macroeconomic effects and considered not only quantitative and qualitative indicators but also the adequate and accurate identification of risks and a collective assessment of exposures.

The relationship with its main partners has been further refined, with emphasis on adaptations in service format and formalization, thus creating a new, perennial product origination alternative.

For clients, the Group extended benefits focused on the needs of the moment, The Group launched the *Volta pra Mim Farmácia* – a temporary benefit through which clients receive a portion of their payments back in their accounts when using Bmg debit or credit cards in pharmacies. In addition, Bmg has partnered with the Pague Menos pharmacy chain for discounts of up to 30% when presenting the Bmg credit card.

For employees, with proof of engagement and productivity, the Group adopted the hybrid work model.

In the social sphere, the Bank continues to make donations to create exclusive structures to combat the virus in hospitals and basic needs for distribution in underprivileged communities.

The rapid response and adaptation of the Group in the face of such a delicate moment was only possible due to the strong ongoing transformation and modernization process.

(c) Material facts

As disclosed in the Material Facts of October 29 and November 3, 2020, the BMG Financial Group was the subject of a search and seizure measure that was part of Operation “Macchiato,” an outcome of the developments of Operation "Descarte," based on a decision of the 2nd Federal Criminal Court of São Paulo investigating alleged offenses related to crimes against the national financial system and the tax regimen and money laundering that may allegedly have been committed by certain managers of the Bank over the period comprising 2014 to 2016.

In connection with, and prior to, this criminal investigation, the Bank had been penalized by the Internal Revenue Service in connection with the disallowance of payments made to certain suppliers. These assessments were, within the legal deadlines, defended and challenged administratively, with the support of legal counsel specialized in tax cases, and awaits a final decision of the appropriate bodies.

At an extraordinary meeting of the Board of Directors, it was decided to create a Special Committee, appointed ad hoc, to conduct a thorough and detailed analysis related to the complaint and endowed with its own human and financial resources as required for the unrestricted and complete fulfillment of its duties, In this context, a law firm specialized in corporate investigations and a company specialized in forensic audits were contracted.

The Special Committee concluded the investigation by analyzing all data and information available in the Bank's collection, identifying the cases of payments to suppliers mentioned in the police investigation. Briefly, the findings indicated opportunities for improvements in internal controls, assignment of powers, as well as gaps in supplier management, which prevented prompt knowledge of the facts at the time of their occurrence.

No corroborating elements were found in the Bank's informational database that was available to the Investigation of the occurrence of crimes of money laundering, corruption or against the National Financial System, Investigations by federal public authorities are still ongoing and, at the present moment, there is no way to anticipate whether the results of these investigations and their respective developments may, eventually, have future consequences on the financial statements or disclosures in explanatory notes. The Bank continues to monitor and support the investigation process being conducted by the appropriate authorities until its conclusion.

After the conclusions of the investigation's work, the Special Committee presented the results to the legal tax counsel hired to defend the violation notifications and who confirmed the opinion, taking into consideration the penalties assessed, as to the Possible Risk classification and which are disclosed in Note 19(i)(b).

Since the beginning of the investigations, the Bank has adopted a series of internal precautions and the improvement of internal controls.

(d) Capital gain on disposal of investments

In June 2022, it basically refers to the variable portion related to the sale of the shares of CMG Corretora de Seguros Ltda. in the amount of R$19,930, in June 2021, it basically refers to the result of the sale of interest in a subsidiary in the amount of R$30,871, generated due to the subscription and payment by Banco Inter in Granito.

(e) Subsequent events

In July 2022, according to a Notice to the Market, Banco BMG indirectly held 21.99% of the voting capital stock of O2OBOTS Inteligência Artificial Ltda. (“O2OBOTS”) through CBFácil Corretora de Seguros e Negócios Ltda. O2OBOTS is a fintech that develops, licenses and maintains specialized chatbot software with artificial intelligence for selling financial and insurance products.

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

APPENDIX I - Consolidated Statement of Value Added

The consolidated statement of value added below is not required by IFRS, but it is being presented as additional information, as required by the Brazilian corporate law for publicly held companies and was derived from the Bank's consolidated financial statements and prepared in accordance with IFRS standards.

	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
1 – Revenue	**2,881,232**	**1,912,016**
Financial intermediation	3,317,303	2,242,563
Services rendered	64,723	44,490
Provision for impairment of receivables	(725,970)	(483,305)
Recovery of receivables written off as losses	87,031	76,194
Other operating income	140,296	9,753
Non-operating	(2,151)	22,321
2 – Expenses	**2,154,771**	**1,072,790**
Financial intermediation expenses	1,776,385	795,972
Other operating expenses	398,937	276,818
Non-operating	(20,551)	
3 - Inputs acquired from third parties	**470,574**	**411,193**
Materials, energy and other	50,316	25,134
Outsourced services	72,842	66,339
Other	**347,416**	**319,720**
Communication	10,467	27,865
Advertising, promotions and publicity	68,787	72,942
Data processing	94,288	76,139
Specialist technical services	160,589	129,624
Bank fees	10,026	10,025
Transportation	3,259	3,125
4 – Gross value added (1 – 2 – 3)	**255,887**	**428,033**
5 – Depreciation and amortization	**43,651**	**61,753**
6 – Net value added generated by the entity (4 – 5)	**212,236**	**366,280**
7 – Value added received as transfer	**6,023**	**19,734**
Equity in the results of investees	6,023	19,734
8 – Value added to be distributed (6 +7)	**218,259**	**386,014**
9 – Distribution of value added	**218,259**	**386,014**
9.1 Personnel	**234,690**	**201,122**
Direct compensation	129,855	94,064
Benefits	47,466	69,740
Payroll charges	57,369	37,318
9.2 Taxes and fees	**(39,729)**	**24,130**
Federal	(44,322)	19,868
State	231	137
Municipal	4,362	4,125
9.3 Interest	**15,220**	**17,618**
Leases	15,220	17,618
9.4 Payments to stockholders	**8,078**	**143,144**
Earnings retained for the six-month periods	6,588	142,642
Non-controlling interest in retained earnings	1,490	502

* * *

Marco Antonio Antunes
(Executive Vice President and Investor Relations Officer)

Paulo Augusto de Andrade
(Chairman and Specialist Member of the Audit Committee)

Silvio Cesar Ferreira
CRC - 1SP185135/O-0
(Accountant in Charge)

STATEMENT OF THE DIRECTORS ABOUT THE FINANCIAL STATEMENTS

In compliance with the provisions of art. 25, item VI of the Securities and Exchange Commission Instruction No. 480/09, Banco Bmg S.A.'s Directors hereby declare that, according to their cognizance of the matter, they reviewed, discussed and agreed with the Bank's Financial Statements for the semester ended June 30, 2022.

CHIEF EXECUTIVE OFFICER AND INVESTOR RELATIONS OFFICER

In compliance with the provisions of art. 25, item V of the Securities and Exchange Commission Instruction 480/09, the directors of the Bank Bmg S.A., herbey declare that they have reviewed, discussed and agree with the individual and consolidated Financial Statements for the semester ended June 30, 2022 disclosed in this date, as well as that they had reviewed, discussed and agreed with the conclusions expressed in the audit report of the independent auditors PricewaterhouseCoopers Auditores Independentes Ltd. and in the Fiscal Council Opinion for the semester ended June 30, 2022.

São Paulo, August 11, 2022

Executive Officers
Carlos Andre Hermesindo da Silva
Flávio Pentagna Guimarães Neto