

(A free translation of the original in Portuguese)

***China Construction
Bank (Brasil)
Banco Múltiplo S.A.
Financial statements at
June 30, 2023
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Shareholders
China Construction Bank (Brasil) Banco Múltiplo S.A.

Opinion

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

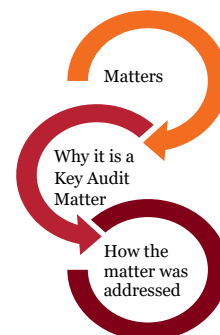
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. as at June 30, 2023, and its financial performance and cash flows for the six-month period then ended, in accordance with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

Basis for opinion

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

Key Audit Matters

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





China Construction Bank (Brasil) Banco Múltiplo S.A.

Why it is a Key Audit Matter

How the matter was addressed in the audit

Allowance for expected credit risk loss - (Notes 3 (f), 8(d) and 11)

The determination of the amount of the allowance for expected credit risk loss is an area that requires judgment and the use of a set of considerations by management.

In this process, loans operations are classified according to the level of risk, considering several assumptions and factors, including the counterparty's financial situation, the default levels, realization of guarantees, as well as the legal and regulatory standards of Resolution nº 2,682 of National Monetary Council (CMN) and subsequent changes made by BACEN.

Considering all those aspects, as well as the significance of the amounts involved, this is a critical estimation area that continues to be defined as a focus in our audit.

Our procedures considered, among others, the update of our understanding and testing of the relevant internal controls related to credit granting and its corresponding risk analysis and approval of the counterparty.

We analyzed the criteria described in the Bank's internal policies and used by management to determine the credit risk of the operations, as well as (i) recalculated the provisions based on those risk attributions and default levels and (ii) validated the completeness of the database extracted from the underlying systems used as basis for recalculating the provision.

We also performed other tests in compliance with the requirements of CMN Resolution nº 2,682, as well as evaluating the aspects related to the disclosure in the explanatory notes.

We considered that the criteria and assumptions adopted by management in the determination and recording of the allowance for expected credit risk loss are reasonable and consistent with the information analyzed in our audit.

Tax credits (Notes 3(j) and 14(a))

The China Construction Bank (Brasil) Banco Múltiplo S.A. recorded tax credits arising from temporary differences, income tax and social contribution losses, based on a study of the taxable profit projections regarding the realization of these tax credits. The taxable income projection involves judgments and assumptions of a subjective nature established by management based on a study of the current and future scenarios, according to specific requirements of the National Monetary Council and the Brazilian Central Bank.

Considering that the use of different assumptions in the future taxable profit projection could significantly modify the terms expected for the realization of the tax credits, with consequent

Our procedures considered the update of our understanding of the process of determination and recording of the tax credits in accordance with the tax and accounting standards.

With the support of our specialists, we have analyzed the consistency of the relevant assumptions used in the study of tax credit realization with the macroeconomic data disclosed in the market, when applicable, as well as the methodology used to estimate the taxable profits, and the logical and arithmetic consistency of the calculations.

We discussed with management and confirmed the approval of the technical study that supports the realization of the tax credits by the



China Construction Bank (Brasil) Banco Múltiplo S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
accounting impact, this is an area of critical estimation that continues to be defined as a focus in our audit.	appropriate management bodies. Based on the audit procedures results and in the context of the inherent uncertainties of realization of the amounts registered as tax credits, we consider that the assumptions adopted by management are reasonable and consistent with the information analyzed in our audit.

Information technology environment

China Construction Bank (Brasil) Banco Múltiplo S.A. is dependent on its technology structure to manage and generate information used to process their operations and, consequently, to prepare the financial statements.

Therefore, if the technology structure and the respective general controls are not adequate, there could be an incorrect processing of critical information for decision-making or for their own operations.

Therefore, the information technology environment continues to be considered as an area of focus in our audit.

Our procedures considered, among others, the update of our understanding and testing of the information technology environment, including the automated controls or those dependent of technology relevant to the preparation of the financial statements.

With the support of our specialists, the main procedures performed involved tests of controls related to information security, linked to the processes of management and development of systemic changes, security of accesses to programs and databases, physical security of the data processing center, including access management and segregation of duties.

We considered that the information technology environment and the controls established by management have provided a reasonable basis to support the main business processes, which provide information used in the preparation of the financial statements.

Other information accompanying the 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 financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or 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.



China Construction Bank (Brasil) Banco Múltiplo S.A.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



China Construction Bank (Brasil) Banco Múltiplo S.A.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of associates to express an opinion on the Bank's financial statements. We are responsible for the direction, supervision and performance of the audit, considering these investees. We remain solely responsible for our audit opinion.

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

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

São Paulo, August 28, 2023

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

Fábio de Oliveira Araújo
Contador CRC 1SP241313/O-3

Management report

Dear shareholders,

The management of China Construction Bank (Brasil) Banco Múltiplo S.A. (“CCB Brasil” or “Bank”) submits, for your analysis, the Management Report and the corresponding Financial Statements, along with the Independent Auditor’s report, with unqualified opinion, and the Audit Committee’s report, for the semester ended on June 30, 2023. The remarks presented here, except when emphasized differently, are demonstrated in domestic currency (Reais – R\$). The financial statements portrayed are in accordance with the standards of the Brazilian Central Bank (BACEN).

Performance for the first semester of 2023

At the end of the first semester of 2023, loan operations reached R\$ 10,319.7 million (R\$ 10,157.5 million on December 31, 2022). The balance of the loan portfolio with the corporate segment on June 30, 2023 was R\$ 9,546.7 million (R\$ 9,319.3 million in December 2022), while the retail loan portfolio, basically composed of payroll loans, ended the first semester of 2023 with R\$ 773.1 million, down 7.8% compared to December 2022, whose balance of this portfolio was R\$ 838.2 million.

The NPL (non performing loans) ratios, formed by the portion of the loan portfolio classified between risk levels D and H, demonstrate a positive performance in terms of the quality of the corporate portfolio. The portfolio as of June 30, 2023 presented 1.7% of NPL, while as of December 31, 2022 was of 3.1%. Actions were carried out to maintain the process of reducing the NPL ratio and expenses with provisions, maintaining stability in the quality of the loan portfolio.

In relation to Funding, we observed an increase of 5.4% in funding in reais in this semester. Time deposits reached R\$ 4,725.5 million, a decrease of 12.3% over December of 2022. The funds issued, composed of LCAs, LFs and LCIs, totaled R\$ 1,321.1 million, an increase of 19.1% compared to December 31, 2022.

As June 30, 2023, resources from Head Office represented 28.4% of total funding of R\$ 16,484.8 million. It is worth noting that the Head Office has provided its Subsidiary with adequate funding to maintain the continuity of its operational activities and adhering to market rate conditions.

The gross result of financial intermediation for the first semester ended on June 30, 2023 reached R\$ 157.8 million, an increase of 8.46% compared to the result obtained in the semester ended on June 30, 2022, R\$ 145.5 million.

The loss for the semester ended June 30, 2023 was R\$ 20.1 million.

On June 30, 2023, shareholders' equity reached R\$ 1,628.8 million and the Basel ratio was 15.16%.

Final comments

We would like to thank our shareholders, clients and suppliers for their support and trust concerning our management, and also our employees for their valuable contribution.

(Disclosure authorized at the meeting of the Board of Directors on August 28, 2023).

Summary of the Audit Committee Report
Semester Ended June 30, 2023

The Audit Committee of China Construction Bank (Brasil) Banco Múltiplo S.A. was established in compliance with the rules of the Brazilian Central Bank and the institution's bylaws.

The Committee analyzed the financial statements for the first half of 2023 (balance sheet as of June 30, 2023 and the related statements of income, comprehensive income, changes in equity and cash flows for the half year ended on that date, including the respective explanatory notes), focusing on the application of accounting practices adopted by the market and compliance with rules issued by BACEN. The Committee assessed the recommendations proposed by the Internal and Independent Audits, discussing with Management the measures to be taken into account. Based on the information and reports received from the internal controls and risks areas, on the work of the Internal Audit and on the reports of the Independent Audit, the Committee concluded that no relevant failures were identified in compliance with regulations and internal rules that could jeopardize the continuity of the institution.

The Audit Committee discussed with those responsible for PricewaterhouseCoopers Auditores Independentes (PwC) the results of the work and its conclusions on the audit of the aforementioned financial statements, whose report is presented without reservations. The main audit matters were also discussed with PwC, as well as other points related to accounting practices, recommendations and notes in internal control and risk reports, and presentation of financial statements. The Audit Committee made recommendations aimed at improving the management processes of internal controls, Compliance and risk management, whose actions are monitored by the Internal Audit.

The Audit Committee, as a result of assessments based on information received from Management, Internal Audit, Independent Audit and the area responsible for corporate monitoring of internal controls and risks, considering the limitations arising from the scope of its function, understands that the financial statements financial statements for the semester ended June 30, 2023, are ready to be approved by the Board of Directors of CCB Brasil.

São Paulo, August 28, 2023

Audit Committee

Balance sheet
(In thousands of reais)

Assets	Note	06/30/2023	12/31/2022
Current and non-current			
Financial instruments		20,013,028	16,973,468
Cash and cash equivalents		16,238	50,727
Interbank funds applied	5	2,600,778	1,844,012
Securities	6.b	4,785,388	4,510,349
Derivatives	7.f	192,322	109,322
Credit Portfolio	8.a	8,223,276	8,763,763
Foreign exchange operations	9	3,903,683	1,548,019
Other financial instruments	10	464,885	454,969
Allowance for expected loss to credit risk	11	(173,542)	(307,693)
Non-financial assets held for sale	12	84,949	93,754
Cost		192,907	196,175
Provision for impairment		(107,958)	(102,421)
Investments		346,597	342,040
Investments in domestic subsidiaries	13	346,395	341,834
Other investments		202	206
Property and equipment		5,445	6,321
Cost		96,727	96,720
Accumulated depreciation		(90,893)	(90,009)
Provision for impairment		(389)	(390)
Intangible		2,632	1,385
Cost		27,897	25,736
Accumulated amortization		(25,265)	(24,351)
Tax assets		1,179,658	1,202,562
Taxes to be offset		42,498	16,127
Tax credits	14.a	756,498	805,773
Presumed - Law nº 12.838/13	14.b	380,662	380,662
Other assets	15	92,350	79,799
Total Assets		21,724,659	18,699,329

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

Balance sheet
(In thousands of reais)
(continued)

Liabilities	Note	06/30/2023	12/31/2022
Current and non-current			
Financial instruments		18,524,233	16,079,070
Funds obtained in the market	16	10,820,948	10,317,894
Borrowings and onlendings	17	4,844,580	4,670,897
Derivatives	7.f	84,796	49,406
Foreign exchange operations	9	1,946,584	140,906
Debt instruments eligible to capital	18	819,264	887,009
Other financial instruments	19	8,061	12,958
Provisions	20	1,167,629	1,135,009
Tax liabilities		292,815	310,995
Current Taxes		16,019	25,561
Deferred Taxes	14.c	193,239	202,289
Presumed Taxes - Law nº 12.838/13	14.b	83,557	83,145
Other liabilities	23	111,204	67,830
Total liabilities		20,095,881	17,592,904
Shareholders' equity			
Share Capital	24.a	2,956,864	2,956,864
Capital increase	24.a	540,370	-
Treasury shares	24.b	(55,105)	(55,105)
Accumulated losses		(1,816,327)	(1,796,187)
Capital reserve		899	899
Other comprehensive income		2,077	(46)
Total shareholders' equity		1,628,778	1,106,425
Total liabilities and shareholders' equity		21,724,659	18,699,329

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

Statement of Income

Semesters ended on June 30

(In thousands of reais, except for losses per capital share)

	Note	06/30/2023	06/30/2022
Income from financial intermediation		515,401	361,551
Loan operations	26	316,199	144,749
Results from Interbank funds applied and securities	27	385,017	306,884
Derivatives	28	(63,936)	(20,573)
Foreign exchange results	29	(121,879)	(69,509)
Financial intermediation expenses		(357,632)	(216,089)
Borrowings and onlendings	31	216,296	256,779
Funds obtained in the market	32	(640,563)	(528,755)
Debt instruments eligible to capital	33	67,745	58,225
Other financial intermediation expenses	30	(1,110)	(2,338)
Gross profit (loss) from financial intermediation before expected credit loss		157,769	145,462
Provision for expected loss to credit risk	11	2,321	6,042
Net profit (loss) from financial intermediation		160,090	151,504
Other operating income (expenses)		(147,246)	(156,197)
Service revenues	34	19,668	25,217
Personnel expenses	35	(82,256)	(87,755)
Other administrative expenses	36	(37,319)	(40,127)
Other operating income	37	23,862	15,333
Other operating expenses	38	(31,696)	(34,281)
Equity in the results of subsidiaries	13	4,655	(10,258)
Provision for contingent liabilities	21.a	(40,233)	(23,627)
Provisions for guarantees provided		(3,927)	(699)
Operating result		12,844	(4,693)
Non operating result	39	(3,451)	3,823
Profit (loss) before taxes		9,393	(870)
Income tax and social contribution	14.d	9,367	-
Deferred taxes	14.d	(38,900)	(21,045)
Loss for the semester		(20,140)	(21,915)
Amount of shares (thousand)		459,233	459,233
Loss per share - R\$		(0.04)	(0.05)

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

Statement of comprehensive income

Semesters ended on June 30

(In thousands of reais)

	<u>06/30/2023</u>	<u>06/30/2022</u>
Loss for semester	<u>(20,140)</u>	<u>(21,915)</u>
Other comprehensive results which will be reclassified subsequently for net income	<u>2,123</u>	<u>708</u>
Securities available for sale		
Change in fair value	3,860	1,287
Deferred taxes	(1,737)	(579)
Comprehensive loss for the semester	<u>(18,017)</u>	<u>(21,207)</u>

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

Statement of changes in shareholders' equity
Semesters ended on June 30
(In thousands of reais)

	Share Capital	Capital increase	Treasury share	Capital reserves	Other comprehensive income	Accumulated Loss	Total
				Goodwill of the issues of share			
Balance at January 1, 2022	2,956,864	-	(55,105)	899	(1,481)	(1,774,358)	1,126,819
Other comprehensive results	-	-	-	-	708	-	708
Loss for the semester	-	-	-	-	-	(21,915)	-21,915
Balance at June 30, 2022	2,956,864	-	(55,105)	899	(773)	(1,796,273)	1,105,612
Variation in the period	-	-	-	-	708	(21,915)	(21,207)
Balances at January 1, 2023	2,956,864	-	(55,105)	899	(46)	(1,796,187)	1,106,425
Capital increase in cash	-	540,370	-	-	-	-	540,370
Other comprehensive results	-	-	-	-	2,123	-	2,123
Loss for the semester	-	-	-	-	-	(20,140)	(20,140)
Balances at June 30, 2023	2,956,864	540,370	(55,105)	899	2,077	(1,816,327)	1,628,778
Variation in the period	-	540,370	-	-	2,123	(20,140)	522,353

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

Statement of cash flows
Semesters ended on June 30
(In thousands of reais)

Cash flow from operating activities	Note	06/30/2023	06/30/2022
Loss for the semesters		(20,140)	(21,915)
Adjustments to the Profit (Loss)		107,241	39,172
Provision for expected loss to credit risk	11	(2,321)	(6,042)
Monetary update of judicial deposits	37	(14,426)	(12,438)
Provision for contingent liabilities	21.a	40,233	23,627
Provision for loans linked to credit operations	31	40,434	30,364
Other operating provisions		10,018	450
Depreciation and amortization	36	1,873	4,620
Tax credits and Deferred tax liabilities	14	38,900	21,045
Equity in the results of subsidiaries	13	(4,655)	10,258
Loss on sales of property and equipment	39	-	257
(Gain) on sales of assets held for sale	39	(2,634)	(3,637)
Exchange variations on cash and cash equivalents		(181)	(29,332)
Adjusted Profit		87,101	17,257
Decrease (increase) in interbank funds applied		456	(617)
(Increase) in securities		(271,180)	(200,138)
(Increase) in derivatives		(47,610)	(51,000)
Decrease in credit portfolio		420,176	428,915
(Increase) decrease in foreign exchange portfolio - assets		(2,355,664)	325,566
Increase (decrease) in foreign exchange portfolio - liabilities		1,805,678	(96,876)
(Increase) in other financial instruments and other assets		(297,148)	(150,864)
Increase in funds obtained in the market		503,054	399,267
Income tax and social contribution paid		(1,344)	(5,185)
Interest payment		(191,050)	(27,470)
Contingencies payment	21.a	(9,230)	(3,764)
Interest received		254,121	180,062
Increase (decrease) in other liabilities		32,867	(10,999)
(Decrease) in other financial instruments - liabilities		(4,897)	(78,660)
Dividends received	13.a	217	1,362
Interest on own capital received	13.b	8,500	-
Net cash (used in) provided by operating activities		(65,953)	726,856
Cash flow from investing activities			
Sale of assets not for own use		(6,172)	16,755
Acquisition and sale of property and equipment		(81)	84
Acquisition of intangible assets		(2,162)	(1,845)
Sale of investments		(4)	90
Net cash (used in) provided by investing activities		(8,419)	15,084
Cash flow from financing activities			
Increase in borrowings and onlending resources		14,954,457	4,420,329
(Decrease) debt instruments eligible to capital	33	(67,745)	(58,225)
Repayment of borrowings		(14,630,158)	(4,952,203)
Capital increase		540,370	-
Net cash provided by (used in) financing activities		796,924	(590,099)
Increase in cash and cash equivalents		722,552	151,841
Cash and cash equivalents at the beginning of the semester	4	1,890,422	2,003,848
Exchange variations on cash and cash equivalents		181	29,332
Cash and cash equivalents at the end of the semester	4	2,613,155	2,185,021
Increase in cash and cash equivalents		722,552	151,841

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

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

1. OPERATIONS

China Construction Bank (Brasil) Banco Múltiplo S.A. (“CCB Brasil”), headquartered at Avenida Brigadeiro Faria Lima, 4.440, São Paulo - SP, Brazil, is a privately-held corporation controlled by CCB Brazil Financial Holding - Investimentos Participações Ltda., a member of the China Construction Bank Corporation group, headquartered in the People's Republic of China and authorized by BACEN (the Brazilian Central Bank) to operate as a Multiple Bank to develop its operations through the following portfolios: commercial, investments, real estate loans and foreign exchange.

Through subsidiaries, it operates throughout the national territory in the markets: lease, credit, financing and investments, distribution of securities and credit card administration.

With a view to a corporate reorganization, measures are being implemented to reposition the operations of the CCB Conglomerate, among them the capital increase in the amount of R\$ 540 million, carried out by the new shareholder Bank of China Limited (BOC), approved by the Brazilian Central Bank on August 22, 2023. This increase will enable an increase in the Conglomerate's leverage and operations levels.

2. PRESENTATION OF FINANCIAL STATEMENTS

Financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. - CCB Brasil, including overseas facilities have been prepared based on Brazilian accounting policies applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN) and provided for in the Brazilian Corporate Law - Law 6,404/76 as amended by Laws 11,638/07 and 11,941/09 together with rules and instructions of the National Monetary Council - CMN and BACEN, and evidence all relevant information specific to the financial statements, and only those, which are consistent with those used by Management in its management.

CMN Resolution No. 4,818/20 and BACEN Resolution No. 02/20 of BACEN established general criteria and procedures for the preparation and disclosure of financial statements. BCB Resolution No. 2/20, revoked Bacen Circular No. 3,959/19 and became effective as of January 1, 2021. This standard, among other requirements, determined the separate disclosure in an explanatory note of recurring and non-recurring results (note 41).

We emphasize that, according to option provided for in Article 23 of BCB Resolution 02/2020, CCB Brasil chose to present Balance Sheet accounts in decreasing order of liquidity and enforceability, with no separation between current and non-current, the segregation of which is presented in the explanatory notes.

In order to improve the presentation of the financial statements, the balances referring to “negotiations and intermediation of values” in an amount of R\$ 26,332 and R\$ 18,907 in assets and liabilities, respectively, previously presented in the Balance Sheet under the heading “Other financial instruments” were reclassified to the heading “Derivatives”.

Management declares that disclosures in the Bank's financial statements show all relevant information used in its management and that accounting policies have been applied consistently from one presented period to another.

The CCB Brasil Conglomerate prepared a plan to implement the accounting concepts and criteria applicable to financial instruments required by CMN Resolution No. 4,966/21. This Implementation Plan is segregated as follows:

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

- (i) Organization and Governance: Forums and Committees made up of different hierarchical levels dedicated to defining and monitoring implementation;
- (ii) Processes and Systems: Mapping impacts and implementing changes in processes and systems;
- (iii) Models and Criteria: Review and update of models and criteria used in accounting estimates. The Implementation Plan schedule is being phased over the period from 2023 to the end of the 2024 fiscal year, and it still depends on accessory rules to be issued by BACEN for full implementation. The impacts on the Financial Statements will be disclosed in a timely manner after the complete definition of the regulatory framework.

The issue of financial statements was approved by the Board of Directors on August 28, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency

The financial statements are presented in Reais, the functional and presentation currency of CCB Brasil. Monetary assets and liabilities denominated in foreign currencies were translated into Reais at the foreign exchange rate ruling on the balance sheet closing date disclosed by Brazilian Central Bank, and the foreign exchange differences arising on translation were recognized in the income (loss) for the semester.

For foreign branch abroad whose transactions are carried out in foreign currency – as, in essence, it is an extension of Brazilian activities with no significant autonomy, functional currency determined according to criteria established by CMN Resolution 4,524/16 is the Brazilian Real; assets and liabilities are translated at exchange rate prevailing on balance sheet date, and income (loss) is translated at foreign exchange rate on transaction date. Adjustments deriving from translation are recorded as a contra-entry to income for the semester.

b) Cash and cash equivalents

Cash and cash equivalents are represented by cash and cash equivalents in local and foreign currency, which are readily convertible into a known amount of cash, money market repurchase commitments, and interbank deposits, whose maturity of the operations on the date of the effective investment is equal to or shorter than 03 months and present insignificant risk of fair value change, in case of redemption in advance.

c) Interbank funds applied

Are shown at cost of investment or acquisition, plus income accrued up to the balance sheet date.

d) Securities

As established by BACEN Circular Letter 3,068/01, securities are classified as follows and evaluated:

- **Trading securities** - securities acquired for the purpose of being frequently and actively negotiated, adjusted to market value with the corresponding entry to the results for the semester.
- **Securities available for sale** - Securities that are not for trading or held to maturity, which are adjusted to market value with the corresponding entry to a separate account in shareholders'

Notes to financial statements

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equity, reduced for any tax effects.

- **Securities held to maturity** - Securities in which Management declares the intention and financial capacity to be held in portfolio until maturity, valued at acquisition cost, plus income with the corresponding entry to the income (loss) for the semester.

e) Derivative financial instruments

Evaluation is carried out based on market value and resulting valuations and devaluations are recorded in income (loss) for the semester.

f) Loan portfolio and provision for expected credit risk loss

Loan portfolio includes operations related to loan, lease, advances on foreign exchange contracts and other loans with credit granting characteristics. It is stated at present value, considering indices, interest rate and agreed charges and calculated on a pro rata day basis up to balance sheet date. For transactions overdue for more than 60 days, recognition in revenues will only occur when they are actually received.

For the determination of provisions for expected credit losses, loan operations are classified according to the level of risk, taking into consideration the economic panorama, past experience and specific risks in relation to the operations, to obligators and guarantors, among others, financial status among parties, default levels, expected future cash flows, amounts estimates of recovery and realization of guarantees, observing the parameters established by CMN Resolution 2,682/99, which requires the periodic analysis of the portfolio and its rating at nine levels, ranging from AA (minimum risk) to H (potential loss) and Management's judgment, as shown in Note 8.d – Breakdown of portfolio per levels of risk.

g) Credit assignment

A financial asset is written-off when rights in cash flow agreement expire or when financial asset is sold or transferred.

As established in CMN Resolution 3,533/08, sale or transfer of a financial asset is classified in three categories:

- **Operations with substantial transfer of risks and rewards:** transactions in which seller or assignor substantially transfer all property risks and benefits of the financial asset that is the object of the transaction such as: (I) unconditional sale of financial asset; (II) sale of financial asset together with repurchase option at fair value of that asset at the time of repurchase; and (III) sale of financial asset together with call or put option whose exercise is improbable. In this category, asset that is the object of assignment is written off at transaction time and income is recognized in profit or loss through transfer of financial assets.

- **Operations with substantial retention of the risks and rewards:** transactions in which seller or assignor does not substantially retain all property risks and benefits of the financial asset that is the object of the transaction such as: (I) sale of financial asset together with commitment to repurchase the same asset at a fixed price or at sales price plus earnings; (II) loan agreements for securities; (III) sale of financial asset together with total return rate swap that transfers exposure to market risk back to seller or assignor; (IV) sale of financial asset together with call or put option whose exercise is improbable; and (V) sale of receivables for which the seller or assignor guarantees that will use any

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way to compensate buyer or assignee for credit losses that may occur, or whose sale occurred together with acquisition of subordinated quotas of the buyer's Credit Right Investment Fund (FIDC). In this category, asset that is the object of assignment is kept in accounting books and a liability in favor of the assignee is recognized for the assignment value. Assets continue generating positive results income and liabilities generate expenses at the rate applied on assignment. These amounts are recorded in financial assets' transfer revenue account (assets) and financial assets' transfer expense account (liabilities) over the term of assigned transactions.

- **Operations without transfer or substantial retention of risks and rewards:** transactions in which seller or assignor does not substantially transfer neither retains all property risks and benefits of the financial asset that is the object of the transaction. The Bank does not work with this category.

Evaluation of transfer or retention of property risks and benefits of financial assets is conducted based on consistent criteria liable to verification, with the methodology of comparing exposure, before and after sale or transfer, with expected variation of present value of cash flow associated to the financial asset discounted at proper market interest rate.

h) Non-financial assets held for sale

Non-financial assets held for sale include the book value of individual items, or groups of assets for disposal or items making part of a business unit destined to disposal ("Discontinued Operations"), the sale of which in their present condition is highly and which shall probably occur within one year as of the base date of financial information. They are generally measured for the lower between the fair value less the sale cost and the book value on the date in which they are classified in such category. They are not depreciated, provided that they remain in such category.

i) Investments in domestic subsidiaries

Investments in domestic subsidiaries are valued under the equity method.

j) Tax assets and liabilities

Income tax and social contribution are calculated on accounting profit adjusted under the terms of the tax legislation, at the rates of 15%, plus an additional 10% above a certain limit for income tax and 20% on profit before income tax deduction for social contribution. From August 1, 2022 to December 31, 2022, in accordance with Law No. 14,446/22, the social contribution was 21%.

The stock of tax credits and deferred tax liabilities recorded on June 30, 2023 and December 31, 2022 were calculated considering the rate in effect on the date of realization.

k) Financial instruments recorded in current and non-current liabilities

They are stated at known or estimated amounts, including, where applicable, charges and inflation adjustments (on a pro rata basis) and exchange-rate change earned.

l) Provisions, contingent assets and liabilities and legal obligations - taxes and social security

The recognition, measurement and disclosure of contingent liabilities and legal obligations are carried out in accordance with the criteria set forth by CVM Resolution 3,823/09.

Notes to financial statements

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- **Contingent assets:** are not recognized in accounting books, except when there is a favorable final court decision, and such assets are characterized as practically certain. Assets with probable likelihood of success are only disclosed in notes. CCB Brasil does not have contingent assets with probable likelihood of success.
- **Provisions:** are recognized when the Management, advised by the legal advisors' opinion, evaluates if the chance of loss is probable. Cases for which an unfavorable outcome is regarded as possible are only disclosed in the note.
- **Contingent liabilities** according to CPC 25, the term “contingent” is used for liabilities and assets that are not recognized, as their existence will only be confirmed by the occurrence or non-occurrence of one or more future and uncertain events, not fully under the control of the Entity. The term “contingent liability” is used for liabilities that do not satisfy the recognition criteria, as they are considered possible losses, and should only be disclosed in notes, when material. Obligations classified as remote are not accrued or disclosed; and
- **Legal obligations:** these are recognized and provided for in the balance sheet.

m) Accounting estimates

The preparation of financial statements complies with accounting policies adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank and requires that Management uses its judgment in determining and recording accounting estimates. Significant items subject to these estimates and assumptions include: the evaluation of realization of the credit portfolio for calculation of allowance for doubtful accounts, the technical studies to estimate the periods for realization of tax credits, the evaluation of contingencies, liabilities and respective provisions, and evaluation of non-financial asset impairment loss and evaluation of market value of financial instruments and derivatives.

The settlement of the transactions and the respective book balances determined using estimates may present differences, due to inaccuracies inherent in the process. CCB Brasil reviews the estimates and assumptions at least semi-annually.

4. CASH AND CASH EQUIVALENTS

	<u>06/30/2023</u>	<u>12/31/2022</u>
Cash and cash equivalents	16,238	50,727
Money market repurchase commitments	2,008,985	1,500,239
Interbank deposit investments	34,242	56,438
Foreign currencies investments	553,690	283,018
Total	<u>2,613,155</u>	<u>1,890,422</u>

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

5. INTERBANK FUNDS APPLIED

	<u>06/30/2023</u>	<u>12/31/2022</u>
Money market repurchase commitments	2,008,985	1,500,239
Interbank deposit investments	38,103	60,755
Foreign currencies investments	553,690	283,018
Total	<u>2,600,778</u>	<u>1,844,012</u>
Current	2,599,400	1,842,728
Non-current	1,378	1,284
Total	<u>2,600,778</u>	<u>1,844,012</u>

6. SECURITIES

a) Operation policy

Destination of securities is evaluated upon acquisitions, and formed portfolio is evaluated upon half-annual balance sheet.

b) Securities portfolio by category and type

	<u>06/30/2023</u>						
	Up to 90 days	91-360 days	Total current	Non- current	Total account amount	Adjusted cost	Market value
Securities available for sale	336,057	1,043,304	1,379,361	3,293,874	4,673,235	4,669,459	4,673,235
Own portfolio (*)	124,328	12,784	137,112	349,045	486,157	485,850	486,157
Financial Treasury Bills	124,328	12,784	137,112	349,045	486,157	485,850	486,157
Subject to purchase and sale agreements	11,439	1,030,520	1,041,959	2,105,836	3,147,795	3,145,041	3,147,795
Financial Treasury Bills	11,439	1,030,520	1,041,959	2,105,836	3,147,795	3,145,041	3,147,795
Related to Central Bank	-	-	-	548,657	548,657	548,050	548,657
Financial Treasury Bills	-	-	-	548,657	548,657	548,050	548,657
Related to guarantees provided (**)	200,290	-	200,290	290,336	490,626	490,518	490,626
Financial Treasury Bills	200,290	-	200,290	290,336	490,626	490,518	490,626
Securities held to maturity	-	-	-	112,153	112,153	112,153	112,153
Own portfolio	-	-	-	112,153	112,153	112,153	112,153
Quotas - FIDC	-	-	-	112,153	112,153	112,153	112,153
Total	<u>336,057</u>	<u>1,043,304</u>	<u>1,379,361</u>	<u>3,406,027</u>	<u>4,785,388</u>	<u>4,781,612</u>	<u>4,785,388</u>

(*) Terms are assigned based on nominal maturity without considering public securities' high liquidity.

(**) Book balance includes R\$ 489,151 referring to margin deposited in guarantee of transactions with derivative financial instruments, R\$ 803 referring to lawsuits and R\$ 672 referring to other guarantees.

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

	12/31/2022						
	Up to 90 days	91 - 360 days	Total current	Non- current	Total account amount	Adjusted cost	Market value
Securities available for sale	719,487	315,562	1,035,049	3,370,652	4,405,701	4,405,784	4,405,701
Own portfolio (*)	111,268	115,458	226,726	908,492	1,135,218	1,135,124	1,135,218
Financial Treasury Bills	111,268	115,458	226,726	908,492	1,135,218	1,135,124	1,135,218
Subject to purchase and sale agreements	608,219	200,104	808,323	2,378,208	3,186,531	3,186,729	3,186,531
Financial Treasury Bills	608,219	200,104	808,323	2,378,208	3,186,531	3,186,729	3,186,531
Related to guarantees provided (**)	-	-	-	83,952	83,952	83,931	83,952
Financial Treasury Bills	-	-	-	83,952	83,952	83,931	83,952
Securities held to maturity	-	-	-	104,648	104,648	104,648	104,648
Own portfolio	-	-	-	104,648	104,648	104,648	104,648
Quotas - FIDC	-	-	-	104,648	104,648	104,648	104,648
Total	719,487	315,562	1,035,049	3,475,300	4,510,349	4,510,432	4,510,349

(*) Terms are assigned based on nominal maturity without considering public securities' high liquidity.

(**) Book balance includes R\$ 82,569 referring to margin deposited in guarantee of transactions with derivative financial instruments, R\$ 752 referring to lawsuits and R\$ 631 referring to other guarantees.

Public securities are registered with BACEN's Special Settlement and Custody System (SELIC) and FIDC quotas are held in custody by custodian institutions indicated by Fund Administrator.

Government bonds' market value was determined based on unit prices disclosed by ANBIMA on balance sheet date and investment fund quotas by the quota value on the date of balance sheet disclosed by the Fund's administrator.

7. DERIVATIVE FINANCIAL INSTRUMENT PORTFOLIO

a) Policy of use

Due to *Paul Volcker* Rule, applicable to the CCB Group on a global basis, transactions of CCB Brasil's trading portfolio are restricted to derivative transactions with customers and must always be hedged. In current year and or the purpose of mitigating market risk deriving from mismatches between the Conglomerate's assets and liabilities, CCB Brasil traded traditional and non-complex derivatives (plain vanilla) aiming at meeting clients' needs mainly, always with respective hedges. It also used this instrument to hedge exposure of banking portfolio to interest rates.

b) Protection against Exchange Rate Exposures

CCB Brasil carries out Swap, NDF (currency term) and Futures Market transactions to hedge obligations with securities issued abroad and foreign currency funding received. Therefore, it is possible to protect the Bank from the risk of currency and exchange coupon change to which such transactions are naturally subject to, and thus, protect it from unexpected impacting changes through economic and accounting hedge, when applicable.

Notes to financial statements

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c) Portfolio Protection with Fixed Rates

CCB Brasil adopts the strategy of acquiring DI futures contracts, evaluating amount allocated per credit portfolio term and amount allocated per DI futures contracts' maturities. Hedge coverage is daily monitored and assessed on a quarterly basis for the purpose of maintaining accounting hedge and making it effective. It complies with criteria that consider total portfolio less delayed payments and prepayment. The Bank's Treasury assesses the need to buy or sell new DI futures contracts to offset adjustment to market value of hedge object and guarantee hedge effectiveness ranging 80–125%, considering relationship between market change of protected layer, designated hedge object and market change of DI futures contracts.

d) Risk management

CCB Brasil operates with derivative financial instruments as part of a list of services provided to its customers and to meet its own needs in connection with the management of market risks, arising basically from normal mismatches between currencies, interest rates, indices, and terms of its asset and liability transactions.

The main risk factors for derivatives assumed on June 30, 2023 were related to exchange rate, interest rate and dollar coupon, which aim maximizing risk and return ratios, even in situations of high volatility. Portfolios' risk management control is carried out using metrics VaR (trading portfolio), EVE and NII (banking portfolio), Profitability and Liquidity Risk.

e) Measurement criteria of market value

In order to obtain market values, the following criteria were adopted:

- **Term and Futures Contracts:** quotations in Stock exchanges; and
- **Swap:** cash flow of each of its parties is estimated discounted to present value, according to corresponding interest curves obtained based on prices of B3 S.A. - Brasil, Bolsa, Balcão, and/or on public securities' market prices for Brazilian transactions, and on prices of international exchanges for transactions carried out abroad, when applicable.

f) Recognition of amounts

The balances arising from these transactions are recorded in offset and equity accounts, pursuant to specific rule of the BACEN.

In terms of accounting, the financial instruments are classified according to the intention of Management of using them as hedge instruments or not, according to the BACEN Circular Letter 3,082/02 and subsequent updates.

Operations that use financial instruments carried out upon a request from clients, or that do not fulfill the protection criteria (especially derivatives utilized to manage global risk exposure up to June 30, 2023), are recorded at market value, with realized and unrealized gains and losses, recorded directly in the statement of income.

Specifically, for the market value hedge, the financial assets and liabilities, and the related financial instruments are stated at market values including gains and losses, realized and unrealized, and recognized directly to the statement of income.

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

The outstanding derivative financial instruments on June 30, 2023 have the following characteristics:

	Current	Non-current	Differential receivable	Current	Non-current	Differential payable	Reference value				
							Net position of assets' and (liabilities) contracts				
							Due up to 03 months	Due 03-12 months	Total current	Non-current	Total
Swap contracts											
Interbank market	30,123	79,639	109,762	139	-	139	47,615	116,736	164,351	521,969	686,320
Foreign currency	14,984	-	14,984	8,395	8,226	16,621	(77,379)	(120,558)	(197,937)	(512,061)	(709,998)
Fixed rate	4,614	-	4,614	-	-	-	29,764	3,822	33,586	(9,908)	23,678
Subtotal	49,721	79,639	129,360	8,534	8,226	16,760	-	-	-	-	-
Adjustment to market value	3,325	21,281	24,606	234	755	989	-	-	-	-	-
Total	53,046	100,920	153,966	8,768	8,981	17,749	-	-	-	-	-
Forward contracts/Non-deliverable forwards - NDF											
Forward purchase/NDF	77	-	77	15,211	7,129	22,340	274,143	66,068	340,211	59,638	399,849
Forward sale/NDF	9,034	-	9,034	3	-	3	133,600	19,622	153,222	-	153,222
Subtotal	9,111	-	9,111	15,214	7,129	22,343					
Total	62,157	100,920	163,077	23,982	16,110	40,092					
Futures contracts											
Purchase - Interbank market	107	-	107	-	-	-	84,935	57,795	142,730	82,423	225,153
Sale - Interbank market	-	-	-	638	-	638	(112,805)	(284,556)	(397,631)	(313,426)	(710,787)
Buy - DDI - For. cur. coupon	-	-	-	8,315	-	8,315	103,011	215,305	318,316	227,858	546,174
Sale - DDI - For. cur. coupon	302	-	302	-	-	-	-	(6,765)	(6,765)	(13,468)	(20,233)
Purchase - Foreign currency	-	-	-	35,743	-	35,743	2,383,001	-	2,383,001	-	2,383,001
Sale - Foreign currency	28,836	-	28,836	8	-	8	(2,017,282)	-	(2,017,282)	-	(2,017,282)
Total	29,245	-	29,245	44,704	-	44,704					
Total Derivatives	91,402	100,920	192,322	68,686	16,110	84,796					

The outstanding derivative financial instruments on December 31, 2022 have the following characteristics:

	Current	Non-current	Differential receivable	Current	Non-current	Differential payable	Reference value				
							Net position of assets' and (liabilities) contracts				
							Due up to 03 months	Due 03-12 months	Total current	Non-current	Total
Swap contracts											
Interbank market	25,619	37,570	63,189	240	1,688	1,928	68,402	243,468	311,870	607,902	919,772
Foreign currency	283	1,657	1,940	4,993	4,622	9,615	(68,402)	(275,265)	(343,667)	(614,272)	(957,939)
Fixed rate	584	-	584	-	119	119	-	31,797	31,797	6,370	38,167
Subtotal	26,486	39,227	65,713	5,233	6,429	11,662	-	-	-	-	-
Adjustment to market value	(133)	15,289	15,156	(404)	360	(44)	-	-	-	-	-
Total	26,353	54,516	80,869	4,829	6,789	11,618	-	-	-	-	-
Forward contracts/Non-deliverable forwards - NDF											
Forward purchase/NDF	1,442	-	1,442	14,232	2,238	16,470	201,139	172,957	374,096	15,653	389,749
Forward sale/NDF	679	-	679	2,411	-	2,411	89,685	21,460	111,145	-	111,145
Subtotal	2,121	-	2,121	16,643	2,238	18,881	-	-	-	-	-
Total	28,474	54,516	82,990	21,472	9,027	30,499	-	-	-	-	-
Futures contracts (*)											
Purchase - Interbank market	20	-	20	-	-	-	50,132	134,757	184,889	22,842	207,731
Sale - Interbank market	-	-	-	284	-	284	(166,820)	(277,917)	(444,737)	(403,469)	(848,206)
Buy - DDI - For. cur. coupon	17,330	-	17,330	4,270	-	4,270	1,245,731	1,101,887	2,347,618	453,719	2,801,337
Sale - DDI - For. cur. coupon	691	-	691	108	-	108	(115,762)	(7,776)	(123,539)	-	(123,539)
Purchase - Foreign currency	4,016	-	4,016	806	-	806	574,931	-	574,931	-	574,931
Sale - Foreign currency	4,275	-	4,275	13,439	-	13,439	(2,301,100)	-	(2,301,100)	-	(2,301,100)
Total	26,332	-	26,332	18,907	-	18,907					
Total Derivatives	54,806	54,516	109,322	40,379	9,027	49,406					

Swap and NDF transactions are registered at B3 S.A. - Brasil, Bolsa, Balcão, adjustments referring to receivable or payable differences are recognized in an asset or liability account, respectively, as a contra-entry to revenues or

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expenses. Transactions in “futures market” are registered at the B3 S.A. - Brasil, Bolsa, Balcão, daily appropriate/paid adjustments are accounted for as revenue or expense.

Amount of margins deposited as collateral for transactions involving derivative financial instruments are comprised as follows:

Title	Maturity	06/30/2023		12/31/2022	
		Fair value / Book value		Fair value / Book value	
LFT	09/01/2023	200,290		-	
LFT	09/01/2024	288,861		82,569	
		489,151		82,569	

g) Hedge accounting
Credit Transaction for Individuals

CCB Brasil has payroll loan portfolios for civil servants and retirees, and vehicle financing transactions. Loans are granted at fixed rates, exposing CCB Brasil to market risk arising from changes in interbank deposits (CDI) reference rate, index in which CCB Brasil's cost of funding and risk management are controlled. Thus, to cover fixed rate risk to CDI fluctuations, the Bank's treasury acquires DI futures contracts considering the ratio between quantities x maturities that offsets effect from hedge object item adjustment to market value; and effects of this fair value hedge structure began to be recorded at the Bank as of January 2022.

Funding abroad

In order to seek protection for exposure to the exchange coupon variation of funding in foreign currency, CCB Brasil contracts derivative financial instrument operations (USDxCDI), with similar values, terms and rates, and from April 2022 it designated operations of loans made from that date as an item subject to fair value hedge accounting.

06/30/2023	Hedge Object				Hedge instrument		
	Carrying value		Fair Value		Ineffective value	Nominal value	Changes in amount recognized in income (loss)
	Assets	Liabilities	Assets	Liabilities			
Interest rate risk							
Loans transaction (note 26)	559,031	-	564,140	-	1,950	692,470	14,815
Funding abroad indexed to the dollar (note 31)	-	2,415,692	-	2,406,215	19,193	2,429,868	12,894
Total	559,031	2,415,692	564,140	2,406,215	21,143	3,119,338	27,709

12/31/2022	Hedge Object				Hedge instrument		
	Carrying value		Fair Value		Ineffective value	Nominal value	Changes in amount recognized in income (loss)
	Assets	Liabilities	Assets	Liabilities			
Interest rate risk							
Loans transaction	585,790	-	576,084	-	952	839,829	(9,706)
Funding abroad indexed to the dollar	-	1,869,997	-	1,873,414	(4,420)	1,871	(3,417)
Total	585,790	1,869,997	576,084	1,873,414	(3,468)	841,700	(13,123)

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8. CREDIT AND LEASE PORTFOLIO
a) Breakdown per type of operation

	<u>06/30/2023</u>	<u>12/31/2022</u>
Export financing	3,551,455	3,537,447
Working capital and discounts	2,750,703	3,186,900
Payroll loans	765,309	825,795
Rural and agribusiness financing	745,866	668,331
Import financing	149,878	269,370
Vehicle financing	37,288	38,859
Debtors in purchase of assets	15,082	17,785
Loan operations subject to assignment (*)	7,757	12,403
Other	199,938	206,873
Total Loan	8,223,276	8,763,763
Advances on exchange contracts (**)	2,096,463	1,393,735
TOTAL	10,319,739	10,157,498

(*) Refers to payroll loans granted with co-obligation to CCB Financeira and recognized as Payroll loans in consolidated (Note 8.f).

(**) Advance on foreign exchange contracts are recognized in balance sheets under "Liabilities - Foreign exchange transactions" (Note 9) plus income receivable on advances granted, which are under "Assets - Foreign exchange transactions" (Note 9).

b) Diversification by sector of activity

	<u>06/30/2023</u>	<u>12/31/2022</u>
Private sector	9,535,866	9,307,250
Industry	4,684,016	4,780,456
Trade	2,815,656	2,146,468
Other services	1,803,584	2,143,363
Agribusiness	232,610	236,963
Individuals	783,873	850,248
Total	10,319,739	10,157,498

c) Diversification per periods – per installment

	<u>06/30/2023</u>	<u>%</u>	<u>12/31/2022</u>	<u>%</u>
Past due as of 15 days	14,342	0.14	9,021	0.10
Due up to 03 months	1,801,474	17.47	2,197,123	21.62
Due 03–12 months	4,746,455	46.02	3,929,340	38.68
Total current	6,562,271	63.63	6,135,484	60.40
Non-current	3,757,468	36.37	4,022,014	39.60
Total	10,319,739	100	10,157,498	100

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

d) Breakdown of portfolio per levels of risk

Risk level	06/30/2023			12/31/2022		
	Calculation		Provision	Calculation		Provision
	basis	% (*)		basis	% (*)	
AA	5,105,024	49.47	-	4,418,826	43.50	-
A	3,592,087	34.81	17,960	3,543,887	34.89	17,719
B	1,341,086	13.00	13,411	1,811,429	17.83	18,114
C	108,601	1.05	3,258	65,438	0.65	1,963
D	3,646	0.03	365	13,027	0.13	1,303
E	8,946	0.09	2,684	20,277	0.20	6,083
F	11,722	0.11	5,861	5,695	0.06	2,847
G	62,079	0.60	43,455	64,184	0.63	44,929
H	86,548	0.84	86,548	214,735	2.11	214,735
Total	10,319,739	100	173,542	10,157,498	100	307,693

(*) Percentage of credit portfolio per rating over total portfolio.

e) Levels of risk concentration

	06/30/2023		12/31/2022	
	R\$	%	R\$	%
Major debtor	310,901	3.01	179,558	1.77
10 greatest debtors	1,722,372	16.69	1,536,523	15.13
100 main debtors	8,218,217	79.64	7,727,987	76.08

f) Operations related to assignment

f1) Interbank credit assignment

In years prior to those presented, payroll loan transactions were carried out with its subsidiary, CCB Brasil S.A. - Crédito, Financiamentos e Investimentos.

These assignments are classified in category “transactions with substantial risk and benefit retention” and present the balance of R\$ 7,757 (December/22 - R\$ 12,403), and amount recorded as obligations from credit transactions linked to the assignment, presented in liabilities under “Other financial instruments (note 19), is R\$ 8,021 (December/22 - R\$ 12,955). Expenses from linked obligations recognized in the period amounted to R\$ 1,110 (Junho/22 - R\$ 2,338), and are in the Statement of Income under “Other financial intermediation expenses” (Note 30), deriving from “pro rata temporis” appropriation over the term of each assigned contract. Granting is subject to application of CMN Resolution 2,682/99 for the purpose of classifying credit risk and recognizing an allowance for doubtful accounts.

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In thousands of reais - R\$, unless otherwise indicated.

9. FOREIGN EXCHANGE TRANSACTIONS

	06/30/2023	12/31/2022
Assets		
Purchased foreign exchange to be settled	2,905,741	1,454,431
Receivables from foreign exchange sales	947,135	66,926
Earnings receivable from granted advances	51,221	27,473
Advances received in national currency	(414)	(811)
Total	3,903,683	1,548,019
Current	3,853,443	1,344,112
Non-current	50,240	203,907
Total	3,903,683	1,548,019
	06/30/2023	12/31/2022
Liabilities		
Obligations from foreign currency purchases	3,042,578	1,417,443
Advances on exchange contracts	(2,045,242)	(1,366,262)
Sold foreign exchange to be settled	949,248	89,725
Total	1,946,584	140,906
Current	1,946,584	140,906
Total	1,946,584	140,906

10. OTHER FINANCIAL INSTRUMENTS - ASSETS

	06/30/2023	12/31/2022
Debtors of guarantee deposits	452,580	438,668
Income receivable	12,297	16,154
Securities and credits receivable	8	147
Total	464,885	454,969
Current	12,298	5,685
Non-current	452,587	449,284
Total	464,885	454,969

11. PROVISION FOR EXPECTED CREDIT RISK LOSS

	06/30/2023	12/31/2022
Opening Balance	307,693	378,569
Increase of provision for credits for the semester	(2,321)	444
Subtotal	305,372	379,013
Write-offs to loss (*)	(131,830)	(71,320)
Closing balance	173,542	307,693
Recovery of loans written off	69,359	90,355

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Percentage of provision on portfolio	1.68	3.03
Current	69,703	140,412
Non-current	103,839	167,281
Closing balance	173,542	307,693

(*) Of the write-off amount, R\$ 108,323 - (December/22 – R\$ -) refer to credit operations linked to funding operations in accordance with the rules established by CMN Resolution 2,921/02 (Note 17).

As of June 30, 2023, renegotiated contracts portfolio presented balance of R\$ 1,436,015 (December/22 - R\$ 1,729,868). It should be noted that, pursuant to paragraph 3 of article 8 of CMN Resolution No. 2,682/99, debt composition, extension, novation, concession of a new transaction for partial or full settlement of a previous transaction or any other type of agreement that involves changing the due dates or payment terms originally agreed are considered as renegotiation. In this case, renegotiations are included that do not necessarily imply readjustments in the face of issues related to the payment capacity of the contracts themselves, but any and all changes to the originally agreed payment conditions. The balance of provision for renegotiated credits of R\$ 93,774 (December/22 - R\$ 210,871).

Of the amount of renegotiated contracts, R\$ 172,182 (December/22 – R\$ 312,860) includes contracts renegotiated due to debtor' financial difficulties.

12. NON-FINANCIAL ASSETS HELD FOR SALE

They are mainly represented by assets received to settle loan operations.

	06/30/2023	12/31/2022
Real estate	175,218	179,143
Machinery and equipment	15,581	15,668
Vehicles and the like	1,793	1,049
Other	315	315
Subtotal	192,907	196,175
Provision for impairment	(107,958)	(102,421)
Total	84,949	93,754

13. OWNERSHIP INVESTMENTS

The main information of subsidiaries in which the Bank has direct interest is shown as follows:

Company's name	06/30/2023					12/31/2022	
	Number of shares/quotas held	% Interest	Shareholders' equity	Net income / (loss)	Equity in net income of subsidiaries	Book value of investments	Book value of investments
CCB Brasil Arrendamento Mercantil S.A.	180,920,168	100%	300,948	14,990	14,990	300,948	285,958
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A.	14,223,228	100%	22,786	786	786	22,786	22,000
CCB Brasil Informática S.A.	50,000	100%	871	31	31	871	840
CCB Brasil Administradora de Cartões de Crédito Ltda.	3,670,000	100%	5,042	196	196	5,042	4,846

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CCB Brasil S.A. – CFI	116,405,774	100%	16,720	(11,443)	(11,443)	16,720	28,163
CCB Brasil Promotora de Vendas Ltda.	1,354,000	1.67%	1,695	66	1	28	27
Subtotal					4,561	346,395	341,834
CCB Brasil Cobrança Ltda. (*)	110,402,810	3.75%	(14)	(15)	(1)	(1)	-
Brasilfactors S.A. (*)	62,931	50%	(10,062)	205	95	(5,031)	(5,126)
Total					4,655	341,363	336,708

(*) As Brasilfactors S.A. and CCB Brasil Cobrança Ltda. presented shareholders' deficit, amounts equivalent to the Bank's interest are recorded in Other liabilities (Note 23).

a) Dividends

On June 29, 2023, the Bank received from its subsidiary CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. the amount of R\$ 217 as dividends for the year 2022.

On June 28, 2022, the Bank received from its subsidiaries CCB Brasil Arrendamento Mercantil S.A. and CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. the amount of R\$ 1,289 and R\$ 73, respectively, as dividends for the year 2021.

b) Interest on own capital

On June 29, 2023, the Bank received the amount of R\$8,500 in the form of interest on own capital by the subsidiary CCB Brasil Arrendamento Mercantil S.A., which, after withholding income tax at source, at the rate of 15%, resulted in the net amount of R\$ 7,225.

No interest on own capital was received from the subsidiary CCB Brasil Arrendamento Mercantil S.A. in fiscal year 2022.

14. TAX ASSETS AND LIABILITIES

- a) Deferred tax credits:** the deferred income tax and social contribution, recorded at Tax Assets presented the following changes in the year:

	12/31/2022	Change in shareholders' equity	Realizations	Additions	06/30/2023
Income tax					
Provision for expected credit loss	244,830	-	(41,890)	14,886	217,826
Provision for Hedge Accounting	3,281	-	(3,281)	3,997	3,997
Provision for impairment of non-operating assets	994	-	(994)	-	-
Provision for contingencies and others	198,547	(21)	(632)	560	198,454
Subtotal – Tax Credit IRPJ (corporate income tax)	447,652	(21)	(46,797)	19,443	420,277
Social contribution					
Provision for expected credit loss	195,864	-	(33,512)	11,909	174,261
Provision for Hedge Accounting	2,625	-	(2,625)	3,198	3,198
Provision for impairment of non-operating assets	795	-	(795)	-	-

Notes to financial statements

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Provision for contingencies and others	158,837	(17)	(505)	447	158,762
Subtotal – Tax Credit CSLL (social contribution on net income)	358,121	(17)	(37,437)	15,554	336,221
Total - Tax credit - IRPJ/CSSL	805,773	(38)	(84,234)	34,997	756,498

Realization of tax credits - based on a technical study, it was possible to estimate the generation of future taxable income, in a sufficient amount for the realization of all tax credits existing on the balance sheet date, in a ten-year period, distributed as follows:

Projected year	Realization of tax credits										06/30/2023
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Projected value	298,023	177,127	92,483	92,483	96,382	-	-	-	-	-	756,498
Present value (*)	281,229	148,838	69,201	61,621	57,186	-	-	-	-	-	618,075
% Realization	39.4%	23.4%	12.2%	12.2%	12.8%	0.0%	0.0%	0.0%	0.0%	0.0%	100%

(*) Calculated based on projected Selic rate.

Projected year	Realization of tax credits										12/31/2022
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Projected value	80,658	173,797	85,337	85,337	89,692	-	-	-	-	290,952	805,773
Present value (*)	70,908	134,319	57,981	50,972	47,098	-	-	-	-	80,225	441,503
% Realization	10.0%	21.6%	10.6%	10.6%	11.1%	0.1%	0.0%	0.0%	0.0%	36.0%	100%

(*) Calculated based on projected Selic rate.

On the base date of June 30, 2023, the Bank complies with the other minimum requirements established by current regulations for maintaining the registration of tax credits.

On June 30, 2023, the Bank has non-recorded tax credits derived from income tax loss and negative basis of social contribution in the total amount of R\$ 1,034,960 (December/22 - R\$ 1,023,317) and tax credits from temporary differences and tax contingencies in the amount of R\$ 225,041 (December/22 - R\$ 206,353), for which there is no expectation of realization within the period provided for in CMN Resolution 4,842/20 of up to 10 years.

b) Presumed tax credit

In view of high balance of temporary differences deriving from credit losses incurred beginning as of 2014, the Bank chose to determine Presumed Tax Credit in the amount of R\$ 380,662, according to criteria established by Law 12,838/13 and BACEN Circular Letter 3,624/13, which require determination of tax losses and credits deriving from temporary differences deriving from allowance for doubtful accounts, determined and existing in prior calendar year.

Also according to Law 12,838/2013, Federal Revenue Service may verify accuracy of presumed tax credits determined over a period of five years, counted as of reimbursement request date, which may be in kind or in federal public debt securities; and there may be deduction of tax on non-tax values owed to the Treasury Department.

During the first semester of 2023, the Bank recovered R\$ 915 (December/22 - R\$ 1,005) from credit transactions that are part of presumed tax credit calculation basis, whose deferred taxes, in the amount of R\$ 412 (December/22

Notes to financial statements

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- R\$ 452), were recognized in Deferred taxes, as these amounts will be taxed when credit is reimbursed by the National Treasury.

	06/30/2023	12/31/2022
Presumed tax credit formed	380,662	380,662
Deferred tax liabilities	(83,557)	(83,145)

c) Deferred tax liabilities

	12/31/2022	Change in shareholders ' equity	Realizations	Additions	06/30/2023
Income tax					
Linked funding (Res 2,921)	69,149	-	(11,558)	1,160	58,751
Inflation adjustment of judicial deposits	29,378	-	-	3,479	32,857
Positive MTM adjustment of government securities and derivatives	13,856	944	(13,856)	13,525	14,469
Hedge Accounting	-	-	-	1,277	1,277
Subtotal Income tax	112,383	944	(25,414)	19,441	107,354
Social contribution					
Linked funding (Res 2921)	55,319	-	(9,246)	929	47,002
Inflation adjustment of judicial deposits	23,502	-	-	2,783	26,285
Positive MTM adjustment of government securities and derivatives	11,085	755	(11,084)	10,820	11,576
Hedge Accounting	-	-	-	1,022	1,022
Subtotal Social contribution	89,906	755	(20,330)	15,554	85,885
Total deferred taxes	202,289	1,699	(45,744)	34,995	193,239
Presumed tax credit Income tax – Law 12,838/13	46,192	-	-	229	46,421
Presumed tax credit Social contribution – Law 12,838/13	36,953	-	-	183	37,136
Total presumed tax credit	83,145	-	-	412	83,557
Total	285,434	1,699	(45,744)	35,407	276,796

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

d) Statement of calculation of income and social contribution tax charges

	06/30/2023		06/30/2022	
	Income tax	Social contribution	Income tax	Social contribution
Determination				
Income before tax on profit	9,393	9,393	(870)	(870)
Calculation basis	9,393	9,393	(870)	(870)
Temporary additions	228,495	228,495	138,865	138,865
Permanent additions	248,830	248,830	580,880	580,880
Exclusions	(518,481)	(518,481)	(720,761)	(720,761)
Taxable income and calculation basis of income tax and social contribution on net income	(31,763)	(31,763)	(1,886)	(1,886)
Tax result of Branch abroad	51,397	51,397	39,459	39,459
Compensation of Tax Losses/CSLL Negative Calculation Base	(5,890)	(5,890)	(11,272)	(11,272)
Taxable income and calculation basis of income tax and social contribution on net income adjusted	13,744	13,744	26,301	26,301
Reconciliation of Income (loss)				
IRRF - Foreign to offset	(9,367)	-	-	-
Income tax and deferred CSLL (Liabilities)	(5,744)	(4,593)	3,588	2,870
(=) Provision for Income Tax and Social Contribution on Net Income	(15,111)	(4,593)	3,588	2,870
Constitution of tax credit (on temporary additions)	(19,443)	(15,554)	(19,350)	(15,480)
Realization of tax credit	46,797	37,437	27,454	21,963
(=) Net effect of tax credit	27,354	21,883	8,104	6,483
Income and social contribution tax expense	12,243	17,290	11,692	9,353

15. OTHER ASSETS

	06/30/2023	12/31/2022
Payments to be refunded	38,601	28,409
Sundry debtors in the country	38,381	36,370
Interbank accounts/relations	8,858	5,416
Prepaid expenses	3,342	1,523
Interest on own capital and dividends receivable	-	7,442
Other	3,168	639
Total	92,350	79,799
Current	57,679	54,417
Non-current	34,671	25,382
Total	92,350	79,799

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

16. FUNDS OBTAINED IN THE MARKET

	06/30/2023					
	Without maturity	Up to 03 months	03–12 months	Total current	Non-current	Total
Demand deposits	49,240	-	-	49,240	-	49,240
Saving deposits	2,238	-	-	2,238	-	2,238
Interbank deposits	-	282,507	-	282,507	215,062	497,569
Time Deposits	-	4,332,006	205,517	4,537,523	187,926	4,725,449
Liabilities from repurchase and resale agreements	-	4,225,366	-	4,225,366	-	4,225,366
Real Estate Credit Bills - LCI	-	222	-	222	-	222
Agribusiness Credit Bills – LCA	-	450,488	743,003	1,193,491	68,322	1,261,813
Financial Bills - LF	-	-	37,237	37,237	21,814	59,051
Total	51,478	9,290,589	985,757	10,327,824	493,124	10,820,948

	12/31/2022					
	Without maturity	Up to 03 months	03–12 months	Total current	Non-current	Total
Demand deposits	73,550	-	-	73,550	-	73,550
Saving deposits	2,295	-	-	2,295	-	2,295
Interbank deposits	-	744,464	-	744,464	890	745,354
Time Deposits	-	1,830,122	1,578,837	3,408,959	797,235	4,206,194
Liabilities from repurchase and resale agreements	-	4,181,011	-	4,181,011	-	4,181,011
Real Estate Credit Bills - LCI	-	-	84	84	153	237
Agribusiness Credit Bills – LCA	-	535,081	377,270	912,351	75,485	987,836
Financial Bills - LF	-	24,430	41,442	65,872	55,545	121,417
Total	75,845	7,315,108	1,997,633	9,388,586	929,308	10,317,894

17. BORROWINGS AND ONLENDINGS

Obligations from loans and foreign contributions refer to raising of funds to finance import and export and contributions granted mainly by the controlling shareholder abroad.

The country's contributions are represented by funds from the Ministry of Agriculture under FUNCAFÉ category and Ministry of the Cities in the PSH - Social Housing Program and PMCMV - Minha Casa Minha Vida Program.

Maturities are broken down as follows:

	Up to 03 months	03–12 months	Total current	Non-current	06/30/2023	12/31/2022
Domestic onlendings - Official Institutions	78,323	42,878	121,201	17,437	138,638	254,067
Abroad	4,406,842	276,492	4,683,334	22,608	4,705,942	4,416,830
Loan with head office	3,828,434	-	3,828,434	-	3,828,434	4,190,271

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

Loans from the Parent Company - linked (*)	-	10,660	10,660	22,608	33,268	20,633
Other foreign loans	578,408	265,832	844,240	-	844,240	205,926
Total on June 30, 2023	4,485,165	319,370	4,804,535	40,045	4,844,580	
Total on December 31, 2022	2,099,615	2,555,180	4,654,795	16,102		4,670,897

(*) In 2017, the Bank raised funds linked to active transactions in accordance with conditions established by CMN Resolution 2921/02, namely:

- I - Link between funds raised and corresponding active transaction;
- II - Subordination of raised funds' due dates to payment flow of linked active transaction;
- III - Linked active transaction remuneration sufficient to cover funding transaction costs;
- IV - Compatibility between linked active transaction cash flows and funding transaction;
- V - Funding transaction term equal to or greater than that of the linked active transaction;
- VI - Postponement of any payment to the creditor, including as charges or amortization, in case of default in linked active transaction, and
- VII - Non-payment to the creditor, in whole or in part, of principal and charges in case execution of guarantees is not sufficient to settle linked active transaction, or in other situations in which this transaction is not settled.

As of June 30, 2023, amount of funding linked to credit transactions recognized in group "Foreign Loans" is R\$ 331,961 (December/22 - R\$ 365,010) and credit transactions balance is R\$ 35,566 (December/22 - R\$ 153,294), and this semester there is no overdue installments (December/22 – no overdue installments).

To provide the best expected disbursement estimate for the linked obligation, as well as reduce asymmetry, the Bank, considering the expectation of receiving the linked receivables, recorded a downward adjustment in the group "Foreign loans" of R\$ 298,693 (December/22 - R\$ 344,377), with the expenses amount of R\$ 40,434 (June/22 - R\$ 30,364 of expenses) as contra-entry to income for the semester (Note 31).

18. DEBT INSTRUMENTS ELIGIBLE TO CAPITAL

Funding	Issue value - Original currency	Issuance	Maturity	Issue value - Domestic currency	Interest rate (p.a.)	06/30/2023	12/31/2022
Level I Perpetual Debt (a)	US\$ 70,000	12/29/2016	-	228,025	8.00%	337,344	365,239
Level I Perpetual Debt (a)	US\$ 100,000	06/04/2021	-	506,660	5.80%	481,920	521,770
Total						819,264	887,009

	06/30/2023	12/31/2022
Non-current	819,264	887,009
Total	819,264	887,009

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As provided for in current regulations, as a result of accumulated losses in previous years, the Bank did not recorded a provision for payment of interest for the year of 2022 and the first semester of 2023, arising from perpetual debts issued.

19. OTHER FINANCIAL INSTRUMENTS - LIABILITIES

	<u>06/30/2023</u>	<u>12/31/2022</u>
Borrowings related to assignment (note 8.f)	8,021	12,955
Commissions payable	40	3
Total	<u>8,061</u>	<u>12,958</u>
Current	7,157	9,753
Non-current	904	3,205
Total	<u>8,061</u>	<u>12,958</u>

20. PROVISIONS

	<u>06/30/2023</u>	<u>12/31/2022</u>
Provisions for contingencies (Note 21.a)	1,099,261	1,068,258
Provisions for financial guarantees provided (Note 22)	31,261	27,334
Other	37,107	39,417
Total	<u>1,167,629</u>	<u>1,135,009</u>
Current	62,741	60,728
Non-current	1,104,888	1,074,281
Total	<u>1,167,629</u>	<u>1,135,009</u>

21. CONTINGENCIES AND LEGAL OBLIGATIONS

CCB Brasil and its subsidiaries are parties in lawsuits and administrative proceedings arising from the normal course of business, involving issues of a civil, labor, fiscal, and welfare nature.

a) Provisions classified as probable loss and legal obligations

Based on information from its legal advisors, on examinations of outstanding lawsuits, and on the history of losses, the Management formed a provision for liabilities classified as probable loss in an amount deemed to be sufficient to cover estimated losses in the lawsuits in progress and the most relevant ones are:

Civil lawsuits

The Bank is party to civil lawsuits assessed as having a probable risk, which have been fully accrued and amount to R\$ 203,198 (December/22 – R\$ 199,012). In general, the provisions are the result of contract revisions, declarations, obligations to do/not do and compensation for material and moral damages.

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

Labor lawsuits

The Bank is party to labor lawsuits assessed as having a probable risk, which have been fully accrued and amount to R\$ 102,634 (December/22 – R\$ 101,341). Provisions relate to lawsuits discussing labor claims referring to labor law, such as overtime, salary equalization, additional payment due to transfer and other.

Tax and social security proceedings

COFINS x Law 9,718/98 – amount involved R\$ 609,831 (December/22 - R\$ 591,592): claims payment of the contribution from November 2005 to December 2014, based on the calculation provided in Complementary Law 7/70, in view of the unconstitutionality of expanding the calculation basis provided for in Law 9,718/98. Part of the amount involved was deposited in court, R\$ 33,235 (December/22 – R\$ 32,020).

PIS x Law 9,718/98 – amount involved R\$ 99,030 (December/21 – R\$ 96,068): claims payment of the contribution from November 2005 up to December 2014, based on the calculation provided in Complementary Law 7/70, in view of the unconstitutionality of expanding the calculation basis provided for in Law 9718/98. The amount of R\$ 125,853 (December/22 – R\$ 120,776) was placed in a judicial deposit.

Income tax/Social contribution PDD/94 - amount involved R\$ 19,310 (December/22 – R\$ 18,413): claims to deduct, from the calculation of income tax and social contribution on net income, for the tax base year of 1994, the expense related to the setting up of the Allowance for loan losses, as specified by the National Monetary Council and the Brazilian Central Bank, as allowed by CMN Resolution 1,748/90 and subsequent amendments, and dismissing, due to unconstitutionality and unlawfulness, the provision of article 43, paragraph 4, of Law 8,981/95. The amount of R\$ 29,795 (December/22 – R\$ 28,899) was placed in a judicial deposit.

INSS - Profit Sharing of Directors – Years 2009 to 2011 – amount involved of R\$ 64,801 (December/22 – R\$ 61,400): claims the derecognition of a supposed INSS debit, levied on the profit sharing of administrators, related to the base periods from 2009 to 2011, entered through the Tax Assessment Notice, as this contribution is not levied on profit sharing, under the terms of Article 7, XI of the Federal Constitution and Article 28, § 9, j, of Law 8.212/91. The amount of R\$ 70,653 (December/22 – R\$ 67,253) was placed in a judicial deposit.

Changes in provisions classified as probable loss and legal obligations

Description	12/31/2022	Addition	Reversal	Monetary Update	Payment	06/30/2023
Civil	199,012	1,924	(1,644)	8,346	(4,440)	203,198
Labor	101,341	4,065	(5,345)	7,363	(4,790)	102,634
Subtotal	300,353	5,989	(6,989)	15,709	(9,230)	305,832

Tax and social security	12/31/2022	Addition	Reversal	Monetary Update	Payment	06/30/2023
PIS – Expansion of Calculation Basis - Law 9718/98	96,068	-	-	2,962	-	99,030
COFINS - Expansion of Calculation Basis - Law 9718/98	591,592	-	-	18,239	-	609,831

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Inc. tax and soc. contr. (IRPJ/CSLL) PDD 1994	18,413	-	-	897	-	19,310
INSS of Administrators – Years 2009–2011	61,400	-	-	3,401	-	64,801
Others	432	-	-	25	-	457
Subtotal	767,905	-	-	25,524	-	793,429
Total	1,068,258	5,989	(6,989)	41,233	(9,230)	1,099,261

In the case of the above-described contingencies, CCB Brasil made a judicial deposit (note 10 - Other financial instruments - Assets), totaling R\$ 452,580, of which R\$ 99,350 - civil lawsuits, R\$ 15,488 - labor claims and R\$ 337,742 – tax lawsuits.

In June 2023, the Federal Supreme Court concluded the judgment of Theme 372 of the General Repercussion, determining that gross operating revenues, resulting from the typical business activity of financial institutions, are part of the PIS and COFINS calculation basis. Considering the impacts of this decision, the balance of provisions set up by CCB Brasil on the base date June 30, 2023 is considered sufficient to absorb the losses arising from this discussion.

b) Lawsuits classified as possible loss

Contingent liabilities stated as likely losses are monitored by CCB Brasil and are based on opinions by legal counsel, with regard to each of the lawsuits and administrative proceedings. Therefore, pursuant to the standards in force, any likely losses are not recognized in the accounting records, and these are composed mainly of the following issues:

Tax and social security proceedings

ISS – Service Tax – São Paulo - Taxed services - Correctness of levying the service tax on services listed in the attachment to Complementary Law 56/87 - involved amount of R\$ 33,872 (December/22 – R\$ 26,450): claims to discontinue the charges of the service tax levied on supposed revenues from provision of taxable services, not expressly included in the list of services attached to Complementary Law 56/87, with the allegation that the list contains mere examples, contrary to understanding taken for granted at the Superior Court of Justice, which adopts the interpretation that only the listed services are taxed. The amount of R\$ 27,632 (December/22 – R\$ 26,758) was placed in a judicial deposit.

IRPJ/2008 – amount involved R\$ 40,566 (December/22 – R\$ 40,566): awaiting approval of the adherence to the installment payment of Law 12,996/14 (REFIS of COPA), whose analysis of the RQA - Request for Early Discharge (art. 33 of Law 13,043/14) is suspended awaiting the judgment of the disallowance of tax losses and negative basis of social contribution on net income for the years 2012 and 2014 (see IRPJ/CSLL).

INSS - Profit Sharing of Directors – amount involved of R\$ 46,566 (December/22 – R\$ 44,594): pleads cancellation of alleged INSS debt for the base periods of 2006 to 2008, generated by Tax Assessment Notice since the debts regarding the taxable events that occurred up to October 10, 2006 have already elapsed and also because it does not affect Social Security Tax on profit under the terms of Article 7, XI of the Federal Constitution and Article 28, § 9, j, of Law 8,812/1991. The amount of R\$ 47,063 (December/22 – R\$ 44,799) was placed in a judicial deposit.

IRPJ/CSLL – amount involved R\$ 92,084 (December/22 – R\$ 92,084): claims the derecognition of the IRPJ/CSLL debt, related to the base period of 2012 and 2014, entered due to the tax assessment notice, due to disallowance of the deductibility of credit losses, for supposed non-compliance with the procedures established in Law 9,430/96.

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

Tax on financial transactions (IOF) and Withholding income tax (IRRF) - amount involved R\$ 1,734 (December/22 – R\$ 1,669): CCB Brasil, as jointly liable, claims the derecognition of the supposed IRRF/IOF debit entry related to seven foreign exchange transactions for foreign currency remittances.

IOF on Assignment of Receivables – amount involved R\$ 3,052 (December/22 – R\$ 2,929): claims the derecognition of the entry of IOF debit regarding the supposed levy on receivables assignment contracts with co-obligation, for the period from March 2014 to December 2014, for supposed non-compliance with Decree 6,306/07.

Unapproved Offset – amount involved R\$ 4,592 (December/22 – R\$ 4,423): claims in the administrative level with the RFB the ratification of tax offsets against receivables arising from overpayment or incorrect payment.

Labor lawsuits

There are lawsuits in the Conglomerate that are classified as a possible risk, and no provisions were formed for these cases. According to an estimate by legal advisors, the sum of indemnities for these lawsuits in case of loss amounts to R\$ 31,746 (December/22 – R\$ 42,905). Contingencies relate to lawsuits discussing labor claims referring to labor law that is specific of the professional category, such as overtime, salary equalization, additional payment due to transfer and other.

Civil lawsuits

The Conglomerate is party to lawsuits that are classified as a possible risk; thus, no provision was formed. According to an estimate by legal advisors, the possible sum of indemnities for these lawsuits amounts to R\$ 190,909 (December/22 – R\$ 167,592). In general, the contingencies are the result of contract revisions and indemnities for material damages and pain and suffering.

22. SURETIES AND GUARANTEES

Description	06/30/2023		12/31/2022	
	Amounts guaranteed	Provisions	Amounts guaranteed	Provisions
Guarantees or sureties in tax lawsuits and proceedings of a fiscal nature	247,772	27,737	249,296	26,805
Judicial guarantees – others	354,625	3,273	388,792	288
Sureties - payments	724,336	145	735,028	137
Performance sureties	74,098	104	35,488	97
Bank guarantees	93,396	2	144,980	-
Other sureties	9,330	-	78,110	7
Total	1,503,557	31,261	1,631,694	27,334
Current	-	31,246	-	27,203
Non-current	-	15	-	131
Total	-	31,261	-	27,334

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

23. OTHER OBLIGATIONS

	<u>06/30/2023</u>	<u>12/31/2022</u>
Interbranch accounts	57,905	15,269
Sundry creditors - domestic	33,856	38,593
Social and statutory	14,341	8,804
Adjustment of negative equity invested (Note 13)	5,032	5,126
Payables to related companies	70	38
Total	<u>111,204</u>	<u>67,830</u>
Current	106,172	62,704
Non-current	5,032	5,126
Total	<u>111,204</u>	<u>67,830</u>

24. SHAREHOLDERS' EQUITY

CCB Brasil's shareholder structure is as follows:

a) Share capital

Shareholder	<u>06/30/2023</u>			<u>12/31/2022</u>		
	Common	Preferred	Total	Common	Preferred	Total
CCB Brazil Financial Holding Investimentos	297,223,908	168,407,558	465,631,466	297,223,908	168,407,558	465,631,466
Bank of China Limited (BOC)(*)	149,225,015	81,338,683	230,563,698	-	-	-
Total shares	<u>446,448,923</u>	<u>249,746,241</u>	<u>696,195,164</u>	<u>297,223,908</u>	<u>168,407,558</u>	<u>465,631,466</u>
Total in reais (R\$)	<u>2,237,176</u>	<u>1,260,058</u>	<u>3,497,234</u>	<u>1,887,438</u>	<u>1,069,426</u>	<u>2,956,864</u>

(*) Shares in process of issuance

On May 26, 2023, the Extraordinary Shareholders' Meeting approved a capital increase of R\$ 540,370, increasing it from R\$ 2,956,864 to R\$ 3,497,234, through the issue of 230,563,698 new shares at the price of R\$ 2.34 per share, of which 149,225,015 are common shares and 81,338,683 are preferred shares. On this date, CCB Brazil Financial Holding - Investimentos assigned its preemptive right in the subscription of new shares to Bank of China Limited (BOC). The aforementioned capital increase was approved by the Brazilian Central Bank on August 22, 2023.

b) Treasury shares

The number of treasury shares as of June 30, 2023 corresponds to 6,398,518 (December/22 – 6,398,518) preferred shares in the amount of R\$ 55,105 (December/22 – R\$ 55,105).

c) Dividends and interest on own capital

Pursuant to by-laws, it is entitled to minimum dividends corresponding to 25% of net income for the semester, in accordance with the applicable corporate legislation.

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

d) Reserves

The retained loss justified the non-recognition of profit reserves.

25. RELATED PARTIES
a) Related parties

The Bank and its direct subsidiaries carry out transactions between themselves, which were eliminated in the consolidated statement.

The balances of operations of the Bank with the direct, indirect subsidiary, key management personnel and controlling shareholder are shown below:

	Assets / (liabilities)		Revenues / (expenses)	
	06/30/2023	12/31/2022	06/30/2023	06/30/2022
Cash and cash equivalents in foreign currencies	3,851	4,312	-	-
China Construction Bank Corporation (d)	3,851	4,312	-	-
Interbank funds applied in interbank deposits - CDI	34,242	56,438	2,865	6,549
CCB Brasil S.A. - Crédito, Financiamentos e Investimentos (a)	34,242	56,438	2,865	6,549
Investment fund quotas	112,153	104,648	7,504	5,711
FIDC Brasilfactors (b)	112,153	104,648	7,504	5,711
Rendering of services	20	40	100	81
CCB Brasil Arrendamento Mercantil S.A. (a)	20	40	100	81
Other credits – Income receivable	24,773	30,600	-	-
China Construction Bank Corporation (d)	24,773	23,158	-	-
CCB Brasil Arrendamento Mercantil S.A. (a)	-	7,225	-	-
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	-	217	-	-
Demand deposits	(869)	(1,315)	-	-
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	(32)	(11)	-	-
CCB Brasil Arrendamento Mercantil S.A. (a)	(56)	(287)	-	-
CCB Brasil Informática S.A. (a)	(2)	(3)	-	-
CCB Brasil Administradora de Cartões de Crédito Ltda. (a)	(1)	(2)	-	-
CCB Brasil S.A. - Crédito, Financiamentos e Investimentos (a)	(463)	(456)	-	-
Brasilfactors S.A. (f)	(1)	(6)	-	-
CCB Brazil Financial Holding Ltda. (e)	(182)	(80)	-	-
Key management personnel (c)	(132)	(470)	-	-
Interbank deposits	(215,062)	(245,378)	(15,636)	(11,237)
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	(23,171)	(22,690)	(1,423)	(1,118)
CCB Brasil Arrendamento Mercantil S.A. (a)	(191,891)	(222,688)	(14,213)	(10,119)
Time deposits	(371,686)	(113,153)	(16,300)	(4,663)
CCB Brasil Informática S.A. (a)	(840)	(795)	(50)	(39)
CCB Brasil Administradora de Cartões de Crédito Ltda. (a)	(4,773)	(3,996)	(274)	(21)
CCB Brasil Promotora de Vendas Ltda. (b)	(1,857)	(1,803)	(115)	(90)
Brasilfactors S.A. (f)	-	-	-	(26)
FIDC Brasilfactors (b)	(34,718)	(15,115)	(1,139)	(1,055)
CCB Brazil Financial Holding Ltda. (e)	(328,111)	(86,538)	(14,602)	(3,401)
Key management personnel (c)	(1,387)	(4,906)	(120)	(31)

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

	Assets / (liabilities)		Revenues / (expenses)	
	06/30/2023	12/31/2022	06/30/2023	06/30/2022
Purchase and sale agreements	(11,437)	(50,158)	(2,756)	(1,770)
CCB Brasil Arrendamento Mercantil S.A. (a)	(9,910)	(46,592)	(2,581)	(1,303)
CCB Brasil S.A. - Crédito, Financiamentos e Investimentos (a)	(1,527)	(3,566)	(175)	(351)
CCB Brasil Administradora de Cartões de Crédito Ltda. (a)	-	-	-	(116)
LCA	(1,374)	(4,235)	(310)	(461)
Key management personnel (c)	(1,374)	(4,235)	(310)	(461)
NDF	-	-	-	(5,793)
Brasilfactors S.A. (f)	-	-	-	(5,793)
Borrowings	(3,861,702)	(4,210,904)	249,677	210,920
China Construction Bank Corporation (d)	(3,861,702)	(4,210,904)	249,677	210,920
Obligations from sales of financial assets – Resolution 3533/08	(8,021)	(12,955)	(1,110)	(2,338)
CCB Brasil S.A. - Crédito, Financiamentos e Investimentos (a)	(8,021)	(12,955)	(1,110)	(2,338)
Transfer of credit assignment	(2)	(45)	-	-
CCB Brasil S.A. - Crédito, Financiamentos e Investimentos (a)	(2)	(45)	-	-

Namely:

- (a) Subsidiaries and associated companies - Direct
- (b) Subsidiaries and associated companies - Indirect
- (c) Key management personnel
- (d) Indirect controlling shareholder headquartered overseas
- (e) Parent Company - direct
- (f) *Joint venture*

a.1) Transactions due dates and rates

Interbank investments with floating rates are valued at the average CDI rate of 100% (December/22 – 100%); pre-fixed purchase and sale agreements were carried out at average rates of 13.65% p.a. (December/22 – 13.65% p.a.) and mature on July 3, 2023 (December/22 – January 2, 2023), with guarantee of up to 3 months (December/22 – up to 3 months). LCA (Agribusiness Credit Bills) operations were carried out with average rates of 99.5% of the CDI (December/22 – 99.78%) and with final maturity up to 2 years (December/22 - up to 2 years). Term deposits are remunerated at the average rate of 96.27% of CDI (December/22 - 84.52% of CDI), directly related to the invested amount, with final maturity in up to 3 years (December/22 - up to 3 years). Borrowings were carried out at average rates of 5.53% p.a. (December/22 - 5.53% p.a.) and foreign exchange-rate change with final maturity up to 7 years (December/22 - up to 7 years). Information regarding granting of loans to related parties is found in Note 8.f.

b) Remuneration of key management personnel – Consolidated

At the annual shareholders' meeting the maximum remuneration for Administrators, members of the Board of Directors, Executive Board and Audit Committee is established, as well as the maximum limit for the participation of Managers in the profit for the year, when applicable, in compliance with limits of the CMN Resolution 3,921/10.

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

During the first semester of 2023 and the year of 2022, the Board of Directors did not approve payments for the profit sharing of the administrators, in view of the recorded net loss in Bank's Shareholders Equity.

b.1) Short-term benefits – Board of Directors, Executive Board and Audit Committee

	<u>06/30/2023</u>	<u>06/30/2022</u>
Fixed remuneration (note 35)	11,708	13,972
Other	396	352
Total expenses for the semester	<u>12,104</u>	<u>14,324</u>

b.2) Long-term benefits

CCB Brasil does not offer long-time benefits for termination of employment contract to the Key Management Personnel.

26. INCOME (LOSS) FROM LOAN OPERATIONS AND LEASE

	<u>06/30/2023</u>	<u>06/30/2022</u>
Loans	224,581	121,234
Recovery of loans written off as loss (note 11)	69,359	29,235
Mark-to-market – hedged items (note 7.g)	14,815	(14,255)
Acquisition of receivables	6,631	7,778
Income from credit notes and sale of assets	813	757
Total income for the semester	<u>316,199</u>	<u>144,749</u>

27. INCOME (LOSS) FROM INTERBANK FUNDS APPLIED AND SECURITIES

	<u>06/30/2023</u>	<u>06/30/2022</u>
Income from Repurchase and resale agreement	212,958	167,319
Income from short-term interbank investments	88,121	86,860
Income from fixed income securities	73,319	47,295
Income from investments abroad	2,650	(334)
Other securities' operations	7,969	5,744
Total income for the semester	<u>385,017</u>	<u>306,884</u>

28. INCOME (LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS

	<u>06/30/2023</u>	<u>06/30/2022</u>
Swap	112,639	100,341
Future Market - DI	(6,713)	9,930
Term of currencies	(33,003)	(62,210)
Future Market - Dollar	(136,859)	(68,634)
Total expenses for the semester	<u>(63,936)</u>	<u>(20,573)</u>

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

29. FOREIGN EXCHANGE INCOME

	<u>06/30/2023</u>	<u>06/30/2022</u>
Foreign exchange transactions	51,678	16,912
Cash and cash equivalents in foreign currencies	(12,222)	40,548
Exchange-rate changes	(161,335)	(126,969)
Total expenses for the semester	(121,879)	(69,509)

30. OTHER FINANCIAL INTERMEDIATION EXPENSES

	<u>06/30/2023</u>	<u>06/30/2022</u>
Loss from credit assignment operations (note 8.f)	(1,110)	(2,338)
Total expenses for the semester	(1,110)	(2,338)

31. BORROWINGS AND ONLENDINGS

	<u>06/30/2023</u>	<u>06/30/2022</u>
Expenses with obligations to foreign bankers	250,559	283,540
Market to market – Hedge objects (note 7.g)	12,894	6,803
FUNCAFÉ/BNDES Onlendings	(6,723)	(3,200)
Reversal to funding linked to credit operations (note 17)	(40,434)	(30,364)
Total income for the semester	216,296	256,779

The Bank has obligations with bankers abroad for loans indexed in foreign currency, whose amount recorded in the first semester of 2023 was impacted by the exchange rate variation in that period in the amount of R\$ 384,497 in revenue (June/22 – R\$ 309,216 in revenue).

32. EXPENSES WITH MONEY MARKET REPURCHASE AGREEMENTS

	<u>06/30/2023</u>	<u>06/30/2022</u>
Time Deposits	(264,711)	(263,931)
Repurchase and resale agreements	(261,553)	(202,202)
Agribusiness credit bills expenses - LCA	(58,369)	(36,865)
Interbank deposits	(45,973)	(13,973)
Financial bills expenses - LF	(6,711)	(7,870)
Credit Guarantee Fund (FGC) contribution expense	(3,231)	(3,803)
Real estate credit bills expenses - LCI	(15)	(111)
Total expenses for the semester	(640,563)	(528,755)

33. EXPENSES WITH DEBT INSTRUMENTS ELIGIBLE TO CAPITAL

	<u>06/30/2023</u>	<u>06/30/2022</u>
Perpetual debt – exchange variation	67,745	58,225
Total income for the semester	67,745	58,225

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

34. REVENUES FROM RENDERING OF SERVICES AND TARIFFS

	<u>06/30/2023</u>	<u>06/30/2022</u>
Income from guarantees granted	14,526	16,317
Collection income	708	739
Income from bank fees	649	2,037
Income from other services	3,785	6,124
Total income for the semester	<u>19,668</u>	<u>25,217</u>

35. PERSONNEL EXPENSES

	<u>06/30/2023</u>	<u>06/30/2022</u>
Salaries	(43,753)	(47,136)
Social charges	(16,836)	(19,255)
Directors' fees (note 25.b1)	(11,708)	(13,972)
Benefits	(9,844)	(7,309)
Other	(115)	(83)
Total expenses for the semester	<u>(82,256)</u>	<u>(87,755)</u>

36. OTHER ADMINISTRATIVE EXPENSES

	<u>06/30/2023</u>	<u>06/30/2022</u>
Outside service expenses	(10,575)	(10,589)
Rental and fees expenses	(6,885)	(7,279)
Data processing expenses	(9,208)	(8,467)
Financial system service expenses	(4,463)	(4,177)
Expenses with amortization and depreciation	(1,873)	(4,620)
Expenses with maintenance and preservation	(1,742)	(1,757)
Expenses with judicial and notary public fees	(101)	(337)
Other expenses	(2,472)	(2,901)
Total	<u>(37,319)</u>	<u>(40,127)</u>

37. OTHER OPERATING REVENUES

	<u>06/30/2023</u>	<u>06/30/2022</u>
Monetary update of judicial deposits	14,426	12,438
Revenue with housing social programs	4,202	-
Income from acquisition of receivables	3,746	-
Recovery of charges and expenses	346	203
Reversal of provision for restructuring	281	1,764
Other operating income	861	928
Total income for the semester	<u>23,862</u>	<u>15,333</u>

Notes to financial statements

In thousands of reais - R\$, unless otherwise indicated.

38. OTHER OPERATING EXPENSES

	<u>06/30/2023</u>	<u>06/30/2022</u>
Tax expenses	(17,388)	(21,463)
Provision for profit sharing - employees	(5,536)	(2,979)
Commission expenses	(4,655)	(5,275)
Processing fee	(1,946)	(1,951)
Other operating expenses	(2,171)	(2,613)
Total expenses for the semester	(31,696)	(34,281)

39. NON-OPERATING INCOME (LOSS)

	<u>06/30/2023</u>	<u>06/30/2022</u>
Income from disposal of assets	2,634	3,637
(Increase) reversion provision for non-operating income	(6,091)	249
(Loss) write-off of goods in use	-	(257)
Other non-operating income (expenses)	6	194
Total expenses for the semester	(3,451)	3,823

40. RISK AND CAPITAL MANAGEMENT FRAMEWORK

The Bank's risk management enables inherent risks to be properly identified, measured, mitigated, and controlled, to support the sustained development of activities and the continuous improvement in risk management.

The Bank centralizes the management of Social and Environmental, Market, Credit, Liquidity, Operational and Capital Management risks to enhance the efficiency of its controls. It results in an overview of the exposures to which the Bank is subject due to the very nature of its activities, which makes it possible to improve and make more agile strategic decisions, in addition to ensure compliance with the policies established for the area and improve the identification of risks that may affect the business strategy and the fulfillment of related goals. Complies with CMN Resolution 4,557/17. It is included in the Risk Management Report website, in compliance with BACEN Resolution BCB 54/20, which provides for the disclosure of information regarding risk management and the Risk Management Framework report, which provides for the framework and responsibilities and its context in CCB Brasil.

The Capital Management Framework is implemented, in compliance with CMN Resolution 4,557/17. The Board of Directors approved the appointment of the executive officer in charge and the definition of the organizational structure, applicable to the entire Financial Conglomerate and other member companies of the financial-economic consolidated. There are institutional policies and processes defined with the procedures and systems necessary for the effective implementation of the Capital Management framework.

Likewise, in compliance with CMN Resolution 4,557/17, the Risk Management framework was established and implemented. The Board of Directors approved the appointment of the executive officer in charge and the definition of the organizational structure, applicable to the entire financial Conglomerate and other member companies of the financial-economic consolidated, as well as approved the institutional policies on risk management.

Notes to financial statements

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CMN Resolution 4,943/21 is also observed in relation to the establishment and implementation of the Social and Environmental Responsibility Policy. The Bank has already adjusted the risk management framework to comply with CMN Resolution 4,557/17.

The Risk Management Policy establishes the underlying principles of the institutional strategy with regards to the control and management of risks in all operations. In the administrative scope, the shares are valued in the several committees that guarantee management compliance, considering the complexity of the products, the exposure to risk and the risk-return ratio that involves all the Bank's business decisions. Risk management is in line with guidelines set forth by the Central Bank and covers all subsidiaries.

CCB Brasil's risk management policies are designed to support the formulation of risk appetite, guide employees and establish procedures to monitor, control, dimension and report the risks to the Executive Board. The Senior Management's involvement with risk management issues occurs through deliberations of its management bodies, defined, in the articles of association, as the Board of Directors, the Executive Board and the Committees. The governance structure ensures effective risk management. The Bank's risk management is carried out through collective decisions, supported by specific Committees. The Risk Management Department is composed, among others, of departments dedicated to the management of social and environmental, market, credit, liquidity, and capital management risks. These areas provide support to the Risk Committee, Internal Controls, Financial Operations that analyze and define strategies and actions pertinent to the areas of operations.

The controls and risk management committees and management bodies provide support to development and seek to minimize losses by adopting a centralized integrated view. They aim at the automation and creation of the database for risk management and modeling, based on history data of losses and evolution of controls.

- I. The risk mitigating controls allow the limits to be defined in advance, considering the profile and the strategic and operational aspects of each unit.
- II. The risk limits broadly consider the amounts that the Bank is willing to accept to meet its goals, and is reflected in the enterprise risk management philosophy, which in turn influences the Bank's culture and operation conduct. This tolerance is influenced by several factors, including the assessment of the risk's consistency with the corporate strategy.

RISK MANAGEMENT

CCB Brasil's Risk Management Policy defines a set of controls, process, tools, systems and standard reports, needed to provide the appropriate control and management of risk.

The Bank designated the CRO (Chief Risk Officer) as the one responsible for the Risk Framework before the Central Bank, according to the Board of Directors' decision.

Market Risk Management

The Liquidity, Market and Capital Risk Division is responsible for maintaining and updating the Policy and structure of the area on an annual basis. It is independent in relation to the business areas and has as duty to monitor and analyze market risks arising from business activities and the Bank's treasury. It also has a duty to guarantee that the levels of exposure to risk comply with the limits adopted by the Risk Appetite Statement (RAS), and to identify and recommend capitalization levels that are appropriate and compatible with these risks.

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Market risk monitoring can be characterized by certain main types of measurements: stale positions, foreign exchange exposure level control, sensitivities, stress tests, Value-at-risk (including adherence tests and validations), DV01, EVE- Economic Value of Equity and NII - Net Interest Income.

All risk metrics are monitored continuously on an integrated basis with the purpose of offering a global view of CCB Brasil's risk profile. The monitoring and control of the Bank's positions is not limited to calculating its market value but recognizes an adequate sensitivity to the real exposure to the Bank's many risk factors. Complementing this measure with the other risk control tools improves monitoring and exposure analysis.

Credit Risk Management

CCB Brasil has an independent area for managing credit risk, in accordance with best governance practices. This area operates independently from the credit approval structure, calculates the ratings of clients based on metrics that consider their behavior in the market as well as that arising from their operations at the Bank. Thus, it differs from the concepts used by the credit approval area, whose structure is built on careful analysis procedures, developed from the expertise acquired throughout the Bank's history.

ESG - Social and Environmental Risk

The Bank constantly improves the methodologies and tools used for assessing social and environmental variables in its loan granting process to mitigate any risks associated with the capacity of payment and default on investments. For this reason, it has established policies and instruments that allow the suspension of the operation, accelerate contracts and the imposition of restriction penalties.

Liquidity Risk Management

CCB Brasil's Liquidity Risk management consists of measuring, evaluating, and controlling the bank's capacity to meet its financial commitments through mathematical estimates and modeling on its own base of operations. Such models have complementary characteristics and are described below:

- I. Backward Looking: historical analysis of transactions, repurchases, renewals of transactions by clients to estimate the potential of insufficient cash to pay the bank's commitments.
- II. Forward Looking: analysis of the projected portfolio, considering budget scenarios and expected portfolio growth.

The results of the liquidity calculations made for the next three years, following these models, demonstrate that CCB Brasil has and will have sufficient funds to meet its obligations and has a position with a wide safety margin in current in non-current.

CCB Brasil has a liquidity risk management department for the identification, monitoring and control of events that may impact the bank's liquidity in both current and non-current.

Liquidity risk management provides:

- I. Preparation of cash flow for evaluation and monitoring of liquidity in current and non-current terms;

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In thousands of reais - R\$, unless otherwise indicated.

- II. Statistical models for estimating unexpected cash outflows such as acceleration of CDB, derivative adjustment payments and additional guarantee deposits with B3;
- III. Stress tests to monitor financial health in adverse liquidity scenarios.

Events that indicate inadequate liquidity capacity for the institution's future obligations are reported on a timely basis to take corrective and preventive actions.

The assets and liabilities according to the remaining contractual maturities, considering their undiscounted flows, are shown below:

As of June 30, 2023, CCB Brasil presented its Current Liabilities greater than Current Assets, calculated according to the nominal maturity of its operations, however, the Bank has securities classified in the category available for sale (note 6.b), which, except for the balance of those linked to the guarantees provided, has an amount of R\$ 2,454,881 (December/22 – R\$ 3,286,700), which even classified as non-current, represent highly liquid investments in government bonds issued by the National Treasury, and a portion of the current liabilities are loans with the parent company in China in the total amount of R\$ 3,839,094 (December/22 – R\$ 4,210,904), maturing in less than one year, which has been systematically renewed.

	06/30/2023		
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current assets	12,405,940	2,454,881	14,860,821
Current liabilities	(17,339,095)	3,839,094	(13,500,001)
Net balance	(4,933,155)	6,293,975	1,360,820

Sensitivity analysis

CCB Brasil has conducted a sensitivity analysis using the scenario of 10% for foreign exchange appreciations or depreciation, interest rates and shares (Scenario I), 25% (Scenario II) and 50% (Scenario III). It is necessary to disclose the demonstrative table of sensitivity analysis for each type of relevant market risk arising from financial instruments that expose the Institution on the closing date for each period. For its preparation we identified the types of risks that could generate material losses, including transactions with derivative financial instruments in a more probable scenario, as well as two (2) scenarios that could generate adverse results for the Institution. In the definition of the scenarios, the situation considered probable by management had as reference an independent external source: B3 S.A. - Brasil, Bolsa, Balcão and a situation, with depreciation or appreciation of 25% and 50% in the risk variable was considered.

We present in the sensitivity analysis table the set of operations involving financial instruments registered in equity accounts that CCB Brasil has with the purpose of managing its exposure to market risks and that aims to protect it, especially in periods of historical records. This valuation is systematically carried out by the risk management area and evaluated by the Risk Committee and Asset and Liability Management Committee (ALCO), which meets and defines a set of scenarios in a crisis environment. A scenario, in this context, is regarded as a certain combination of prices and interest rates. The preparation of the table followed the procedure below:

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- (i) In each scenario, the amounts of the trading portfolio (Trading Book) and the structural transactions from several of the Institution's business lines and their respective hedges (Banking Book) were calculated;
- (ii) For each one of the risk factors, we chose the calculation that incurred in the highest loss and, based on it, applied the defined increase or decrease;
- (iii) Finally, we obtained the losses, corresponding to the related hypothetical scenario.

The following scenarios do not necessarily reflect the market risk management of the Institution neither is it associated with the accounting policies. The stress models may represent extreme situations that are distant from a day-to-day situation.

Below is the summary of the premises for each one of the scenarios.

We chose for each portfolio the trend (increase or decrease) that maximizes loss for each risk factor. The parallel dislocations of the curve were maintained, that is, a dislocation of + 1,000 basis means that in all future curves there was a 10% increase to the current rates.

For each scenario, the expected loss of the portfolio in relation to the marked-to-market position was measured.

Scenarios are described as follow

Scenario 1: Lower oscillation situation. Assumptions adopted: parallel shock of 10% in risk variables, based on market conditions seen on June 30, 2023, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 2: Potential situation. Assumptions adopted: parallel shock of 25% in risk variables, based on market conditions seen on June 30, 2023, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 3: Potential situation. Assumptions adopted: parallel shock of 50% in risk variables, based on market conditions seen on June 30, 2023, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

The scenarios adopted for Banking and Trading Portfolio are shown in the following table, and also reflects the deterioration in the macroeconomic expectations since it maximizes loss for each risk factor in this portfolio. (Fixed) interest rates strongly increase (10%; 25%; and, 50%), there is a substantial parallel dislocation of the foreign exchange coupon curves, the foreign exchange rates increase widely, the Brazilian stock exchange faces a downfall, reflecting in the indicators and indexed contracts

Banking Portfolio - premises for risk factors			
	Scenario 1	Scenario 2	Scenario 3
(Fixed) Interest Rate Curve	parallel shift of +1,000 basis points	parallel shift of +2,500 basis points	parallel shift of +5,000 basis points
Foreign Exchange Coupon Curve	parallel shift of -1,000 basis points	parallel shift of -2,500 basis points	parallel shift of -5,000 basis points
Dollar - Spot	10% decrease	25% decrease	50% decrease

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The results of the losses calculated in the scenarios presented summarize the losses from market fluctuations by risk factor, generated by CCB Brasil's systems and calculated for the Banking portfolio. These losses are shown in the following table:

Banking Portfolio - Results for risk factors in 06/30/2023			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	10,142	26,052	54,629
Fixed Rate in reais	(18,371)	(44,790)	(86,095)
Total loss	(8,229)	(18,738)	(31,466)

Trading Portfolio - Results for risk factors in 06/30/2023			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	100	247	479
Fixed Rate in reais	(671)	(1,679)	(3,359)
Total loss	(571)	(1,432)	(2,880)

The risk factors are presented as follows:

- Includes all the products that have price variations pegged to dollar variations and interest rates in dollars.
- Fixed rate in real – Includes all products that have price variations pegged to dollar variations and interest rates in Real.

The sensitivity analysis Table has limitations and the economic impact on a potential fluctuation in interest rates might not represent necessarily a profit or a material accounting loss for the institution. The specific combination of prices which determine each scenario is an arbitrary decision, though possible. The signs of historical correlations between the assets were not necessarily respected and the scenarios chosen were analyzed according to a past time frame.

The accounting of the "Banking" Portfolio instruments, at a large extent, is made by the contract curve, which is different from the derivative financial instruments in the "Trading" Portfolio that are subject to fluctuations in the respective accounting record due to mark-to-market.

The results presented in the table referring to the banking portfolio may, at first glance, give the impression of high sensitivity to volatility. For a better analysis of the results obtained in this portfolio, it is suggested to evaluate the results of the measurements of Delta EVE (Economic Value of Equity) and Delta NII (Net Interest Income) with the calculation methodology standardized by the Brazilian Central Bank in Circular 3,876 /18 and in BCB Resolution 54/20. In view of this, it is noteworthy that the sensitivity analysis is an overview of the potential losses involved in the portfolio in the event of materialization of shocks on the stressed risk factors in isolation. This means that correlation and conjunctural impacts are not being considered in this analysis.

Likewise, in the sensitivity chart, interest rates and foreign exchange were considered unrelated. The limitations of the analysis of scenarios also involve the marking to market of all positions, which contradicts the Institution's determination in taking operations (especially foreign currency funding operations) to maturity, which may lead

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readers to make a mistake in judging that the losses presented in the scenarios will materialize, even if the oscillations provided for in the risk factors are verified.

CAPITAL MANAGEMENT

CCB Brasil's risk and capital sufficiency management adopts, among others, basic elements of analysis, such as the understanding and identification of the risks inherent in its activities embodied in Capital and Liquidity management policy, assessment of the need for capital for the most relevant risks; development of methodologies for quantifying capital buffer; Capital and Contingency plan, and Strategic budget. It is carried out using quantitative metrics that include models and recommendations from the Brazilian Central Bank, from the Basel III perspectives and concepts.

The follow-up and monitoring of this management is continuous by the Risk Committee, assessed by the Board of Directors in Brazil, by the Head Office and regularly reported to BACEN. This framework is based on the guidelines established by CMN Resolution 4,557/17, which provides for the Risk and Capital management structure and the information disclosure policy. The resolution highlights the mandatory creation of a continuous and integrated risk management framework in banks, the definition of a Risk Appetite Statement (RAS), of stress testing programs, the creation of the Risk Committee, among others.

The following table indicates the minimum capital requirements valid for June 30, 2023:

BACEN Requirements	Valid in 06/30/2023	Valid in 12/31/2022
Core capital ratio	7.0%	7.0%
Tier I Capital ratio	8.5%	8.5%
Basel Ratio (total PR)	10.5%	10.5%

The Leverage Ratio (RA) is defined as the ratio between Tier I Capital and Total Exposure, calculated in accordance with BACEN Circular 3,748/15. It is a simple leverage measure not sensitive to risk and does not consider the Risk Weighting Factors (FPR) or mitigations considered in the RWA. It is not required for S3 Group banks, but is calculated for the purpose of monitoring RAS and is a good indicator of an institution's capital X assets ration.

The tables presented below show the main capital indicators calculated as of June 30, 2023 and December 31, 2022 and those established in the RAS Policy for 2023 - with review expected to occur in a year or any time when the circumstance requires.

In R\$ thousand	06/30/2023	12/31/2022
Capital – Level 1	1,897,031	1,979,876
- Core Capital	1,077,767	1,092,867
- Perpetual Bonds	819,264	887,009
Reference Equity	1,897,031	1,979,876
- RWACpad	11,097,300	11,020,720
- RWAMpad	72,205	167,968
- RWAOpad	1,347,580	1,332,733
Total RWA	12,517,085	12,521,421
- IRRBB	72,828	90,728

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	Ratios	
Main Capital	8.61%	8.76%
Level 1	15.16%	15.87%
Basel Ratio	15.16%	15.87%
IB to RWA + IRRBB	14.13%	14.55%

Art. 12, CMN Resolution 4,958/21, determines that institutions must maintain sufficient Capital to cover the risk of changes in interest rates on the bank portfolio (IRRBB), treating it as a capital buffer requirement, without including it in the definition of RWA. At CCB Brasil, the limit for IRRBB is set in R\$ in the risk appetite statement.

41. RECURRING AND NON-RECURRING RESULTS

As provided for in BCB Resolution No. 02/2020, a non-recurring result should be considered as a result that is not related or is incidentally related to the typical activities of CCB Brasil and is not expected to occur frequently in future years. In the first semester of 2023 and 2022, there was no record of non-recurring results in the Bank.

42. OTHER INFORMATION

a) Insurance

The Bank adopts a risk protection policy, according to the relevance of the amounts involved, and Management considers the global amounts of the insurance contracted to be sufficient.

Board of Directors

President:	Xilai Feng
Board members:	Fanggen Liu Liping Shang Daniel Joseph McQuoid Heraldo Gilberto de Oliveira

Executive Board

Chief Executive Officer:	Liping Shang
Directors, Vice-President:	Yongdong Jiang Zhiqiang Zhu
Directors:	Claudio Augusto Rotolo
Accountant:	Fábio José Mazzetto Said CRC: 1SP264988/O-8

Audit Committee

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President and qualified member:	Heraldo Gilberto de Oliveira
Committee Members	Walter Mallas Machado de Barros Daniel Joseph McQuoid