

(A free translation of the original in Portuguese)

www.pwc.com.br

***China Construction
Bank (Brasil)
Banco Múltiplo S.A.
and its subsidiaries***
***Consolidated financial statements at
December 31, 2021
and independent auditor's report***





(A free translation of the original in Portuguese)

Report of independent auditor on the consolidated financial statements

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

Opinion

We have audited the accompanying consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. ("Bank") and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

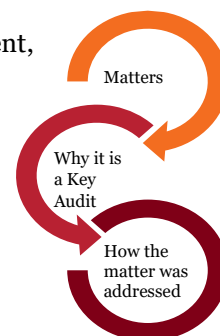
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries as at December 31, 2021, and their consolidated financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

Key Audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the consolidated 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

**Expected credit loss of loans and advances
(Notes 2(b) ii, 7(c) and 37)**

The Bank and its subsidiaries adopted the IFRS 9 accounting standard, which establishes requirements about the methodology for measurement of credit loss of loans and advances.

The determination of expected credit loss of loans and advances considering the requirements of IFRS 9, is an area that involves a high level of judgment by management for the classification of credits by stage, as prescribed by IFRS 9, as well in the measurement of the expected loss amount necessary, through the application of a methodology and processes that use several assumptions and that consider internal and external factors, including default levels, the financial position of the counterparty, guarantees, renegotiation policy, current and prospective economic scenarios.

Therefore, this is an area that continues to be considered a focus in our audit.

We considered in our procedures an understanding of the relevant processes related to the determination of the expected credit loss, including the adherence to the policies applied to comply with IFRS 9 requirements.

With the support of our specialists, we applied procedures related to the methodology and calculation of the expected credit loss related to (i) accounting policies analysis in comparison with the requirements of IFRS 9; (ii) understanding and recalculation, on a sample basis, of the expected credit loss that consider databases, models and assumptions adopted by management; (iii) comparison of data and assumptions used with market data, when applicable; and (iv) analysis and consistency of the disclosures made by management in the financial statements.

We also performed tests on the classification of loans and advances in the stages prescribed by IFRS 9, which considers the level of credit risk of the debtor and, where applicable, the deterioration of the risk, as well as the financial difficulty of the debtor, delays in its contractual obligations, among other aspects.

We considered that the criteria and assumptions adopted by management to measure and record the expected credit loss of loans and advances are reasonable and consistent with the IFRS 9 and with the information analyzed in our audit.

Tax credits (Notes 2(o) e 22(c)(e))

The Bank and its subsidiaries recognized tax credits arising from temporary differences, income tax and social contribution losses, recorded based on a study of the taxable profit projections considering 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.

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 macroeconomic data disclosed in the market, when applicable, as well as the



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

Why it is a Key Audit Matter

Considering that the use of different assumptions in the future taxable profit projection could significantly modify the terms expected for the realization of tax credits, with consequent accounting impact, this is an area of critical estimation and continues to be defined as a focus in our audit.

How the matter was addressed in the audit

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 proper 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

The Bank and its subsidiaries are dependent on their 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 understanding and testing of the information technology environment, including the automated controls or dependency of technology relevant to the preparation of the financial statements.

With the support of our technology 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 database, 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.



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

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as 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 financial reporting process of the Bank and its subsidiaries.

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

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



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

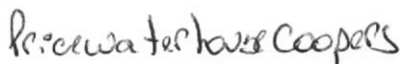
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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.
- Evaluate the overall presentation, structure and content of the consolidated 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 the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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, March 31, 2022


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

Melissa Tuxen Wisnik
Contadora CRC 1SP221490/O-0

Management report

Dear shareholders,

The Management of China Construction Bank (Brasil) Banco Múltiplo S.A. “CCB Brasil” or the “Bank” hereby submits its Management Report and the corresponding Financial Statements, together with the Independent Auditor’s Report, with no qualified opinion, for the year ended December 31, 2021. The remarks presented here, except when emphasized differently, are demonstrated on a consolidated basis covering their subsidiaries and in domestic currency (Reais – R\$). The consolidated financial statements were prepared based on the international standard issued by the International Accounting Standards Board (IASB).

Impacts of the Coronavirus Pandemic (COVID-19)

a) General Context

As since the beginning of the pandemic period in 2020, the year 2021 presented intense challenges, especially in view of the economic impacts that the pandemic has had on the market as a whole. CCB Brasil has been carrying out extensive work, aiming to improve work processes and methodologies to adapt to this challenging scenario.

The context experienced during the year 2021 provided important decisions to follow the guidelines of the CCB Brasil, which go against the measures of national and international health authorities. Among them, the health care of employees and their families, employees and partners stands out, as well as the maintenance of CCB Brasil's activities and operational procedures, in addition to supporting customer support, aiming at the best result for all.

b) Impact on financial information for the year 2021

In view of the challenges generated in the year, the strategy of strengthening the loan portfolio was maintained, while supporting our customers. In this way, performance guidelines for customers were adapted and used intensively in 2021, in line with the intense monitoring of the loan portfolio. As a result, the quality of the portfolio in the corporate segment and in medium-sized companies (which represents 88.6% of the loan portfolio) contributed to the little effect on the deterioration of the corporate portfolio, compared to market expectations.

CCB Brasil took steps in this period to minimize the negative effects of the crisis arising from the pandemic. Among them are the creation of frequent credit committees and constant monitoring of all customers; maintenance of the more restrictive criteria for granting new credits already adopted at the beginning of the pandemic; more detailed assessment of the most relevant economic sectors of the credit portfolio customers, with disclosure through reports to the bank's business areas; in addition to following the guidelines of regulatory bodies and the Head Office.

CCB Brasil continued with a conservative stance, maintaining the criteria used at the beginning of the pandemic, continuing with the maximum age level of the customer for granting payroll loans (which was reduced at the beginning of the pandemic period), in addition to periodic reviews and adjustments in retail credit granting policies.

The consolidated delinquency ratios composed of the loan portfolio classified in stage 3, remain well controlled, reaching 2.6% in 2021, while in 2020 it was 5.0%.

Performance for the year

In 2021, we had positive results from measures adopted by the Bank in previous year, which intended to increase assets' quality and volume and, at the same time, adjust the Bank's operating structure to make the organization more efficient.

At the end of the second half of 2021, loan operations reached R\$ 10,215.2 million, a 1.37% decrease compared to the previous year of 2020.

On December 31, 2021, the Head Office represented 23.8% (23.4% in 2020) of the total fundraising of R\$ 15,230.5 million. It is worth noting that the Parent Company has provided its Subsidiary with adequate funding, both in terms of volumes and prices. In effect, the Parent Company's funds, which are usually available for terms of 360 days, have been systematically renewed.

The net interest income for the 2021 period reached R\$ 361.9 million, a downturn compared to the income obtained in the same period in 2020, R\$ 447.5 million.

The net loss for the fiscal year 2021 was R\$ 64.1 million (R\$ 547.9 million loss in 2020).

At the end of fiscal year 2021, shareholders' equity reached R\$ 1,041.5 million; the Basel ratio was 16.05%.

Human resources and service points

The Bank ended 2021 with 343 employees and nine service points.

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 March 30, 2022).

CONSOLIDATED BALANCE SHEET
 December 31
 (Amounts expressed in thousands of reais)

ASSETS	Note	2021	2020
CASH AND CASH EQUIVALENTS AND RESERVES AT THE CENTRAL BANK OF BRAZIL	3	352,857	179,673
SECURITIES	5	4,056,353	4,884,623
At amortized cost	5	91,583	83,674
At fair value through other comprehensive income	5	3,964,770	4,800,949
DERIVATIVE FINANCIAL INSTRUMENTS	6f	114,668	103,910
OTHER FINANCIAL ASSETS AT AMORTIZED COST		11,933,243	11,321,611
Loans and advances to financial institutions	4	1,927,057	1,318,789
Loans and advances to clients	7	10,215,240	10,357,440
Other loans and receivables	8	15,406	26,397
Other financial assets		47,391	56,722
Expected credit loss	7c	(271,851)	(437,737)
NON-FINANCIAL ASSETS HELD FOR SALE	9	97,551	156,986
INVESTMENTS	10	22	256
TANGIBLE ASSETS	11	46,657	108,444
INTANGIBLE ASSET	12	1,141	1,988
TAX CREDITS		1,021,104	1,055,175
Tax to be offset		19,603	31,925
Deferred tax	22c	703,532	724,870
Presumed - Law No. 12.838/13	22d	297,969	298,380
OTHER ASSETS	13	60,767	65,477
TOTAL ASSETS		17,684,363	17,878,143

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

CONSOLIDATED BALANCE SHEET
 December 31
 (Amounts expressed in thousands of reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2021	2020
DERIVATIVE FINANCIAL INSTRUMENTS	6f	121,793	91,156
Foreign borrowings	19	-	30,562
FINANCIAL LIABILITIES AT AMORTIZED COST		15,230,493	15,318,947
Capital instruments	17	948,685	892,897
Deposits from financial institutions	14	3,657,313	3,748,065
Deposits from clients	15	5,277,713	5,702,394
Securities issued	16	544,637	693,199
Domestic borrowings	18	211,859	154,233
Foreign borrowings	19	4,590,286	4,128,159
PROVISIONS	21	1,100,946	1,086,795
TAX LIABILITIES			
Current		32,226	28,191
OTHER LIABILITIES	23	157,380	219,867
TOTAL LIABILITIES		16,642,838	16,775,518
SHAREHOLDERS EQUITY			
Capital stock	24	2,956,864	2,956,864
Capital reserve		899	899
Treasury shares		(55,105)	(55,105)
Accumulated losses		(1,859,652)	(1,795,513)
Other comprehensive income		(1,481)	(4,520)
TOTAL SHAREHOLDERS' EQUITY		1,041,525	1,102,625
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,684,363	17,878,143

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

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31

(amounts expressed in thousands of reais, unless otherwise indicated)

	Note	2021	2020
Interest and similar revenues	26a	961,243	953,133
Interest and similar expenses	26a	<u>(493,315)</u>	<u>(467,309)</u>
NET INCOME (LOSS) FROM INTEREST AND ALIKE		467,928	485,824
Foreign exchange differences (net)	26b	2,328	53,010
Gains (losses) with financial assets and liabilities (net)	27	<u>(108,322)</u>	<u>(91,286)</u>
NET INTEREST REVENUE		<u>361,934</u>	<u>447,548</u>
Equity in investments		(519)	(230)
Fee and commission revenue	28	44,875	56,135
Other operating revenues (expenses), net	29	<u>(86,959)</u>	<u>(19,711)</u>
TOTAL REVENUE		<u>319,331</u>	<u>483,742</u>
Personnel expenses	30	(173,015)	(159,207)
Other administrative expenses	31	(79,008)	(77,904)
Tax expenses	32	(30,703)	(27,521)
Depreciation and amortization	11 e 12	(19,170)	(19,692)
Write-off of CCB Brasil Financeira goodwill	12	-	(105,190)
Impairment losses of financial assets	7c	(80,505)	(279,092)
Gains (losses) with other assets (net)	33	<u>20,404</u>	<u>(16,315)</u>
LOSS BEFORE TAX		<u>(42,666)</u>	<u>(201,179)</u>
Current and deferred income tax and social contribution	22a	(21,473)	(346,765)
LOSS FOR THE YEARS		<u>(64,139)</u>	<u>(547,944)</u>
Amount of shares (thousand)		459,233	459,233
Basic and diluted loss per share - R\$		(0.14)	(1.19)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31

(amounts expressed in thousands of reais, unless otherwise indicated)

	<u>2021</u>	<u>2020</u>
NET LOSS FOR THE YEARS	(64,139)	(547,944)
OTHER COMPREHENSIVE INCOME THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO NET INCOME/(LOSS)		
Gains (losses) on assets/liabilities at fair value of other income	5,611	(8,787)
Tax charges on assets/liabilities at fair value of other income	(2,525)	3,954
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO NET INCOME/(LOSS)		
Gains (losses) on liabilities at fair value of other income	(85)	(8,069)
Tax charges on liabilities at fair value of other income	38	3,631
COMPREHENSIVE NET LOSS FOR THE YEARS	<u>(61,100)</u>	<u>(557,215)</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31

(Amounts expressed in thousands of reais)

	Capital stock	Capital reserve (goodwill upon subscription of shares)	(-) Treasury shares	Other comprehensive income	Accumulated losses	Total
Balances at January 01, 2020	2,956,864	899	(55,105)	4,751	(1,247,569)	1,659,840
Fair value through other comprehensive income	-	-	-	(4,833)	-	(4,833)
Liabilities at fair value (Credit Risk)	-	-	-	(4,438)	-	(4,438)
Loss for the year	-	-	-	-	(547,944)	(547,944)
December 31, 2020	<u>2,956,864</u>	<u>899</u>	<u>(55,105)</u>	<u>(4,520)</u>	<u>(1,795,513)</u>	<u>1,102,625</u>
Balances at January 01, 2021	2,956,864	899	(55,105)	(4,520)	(1,795,513)	1,102,625
Fair value through other comprehensive income	-	-	-	3,086	-	3,086
Liabilities at fair value (Credit Risk)	-	-	-	(47)	-	(47)
Loss for the year	-	-	-	-	(64,139)	(64,139)
December 31, 2021	<u>2,956,864</u>	<u>899</u>	<u>(55,105)</u>	<u>(1,481)</u>	<u>(1,859,652)</u>	<u>1,041,525</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
 Years ended December 31
 (Amounts expressed in thousands of reais)

Cash flows from operating activities	2021	2020
Loss for the year	(64,139)	(547,944)
Depreciation and amortization	19,170	19,692
Write-off of CCB Brasil Financeira goodwill (note 12)	-	105,190
Equity in income of subsidiaries	519	230
Changes in tax credits and deferred tax liabilities (note 22a)	19,262	327,420
Increase of provisions - Impairment of financial assets (note 7c)	80,505	279,092
Increase of provisions (note 21)	61,961	129,114
Increase of provision (reversal) - other (note 33)	10,077	43,418
Loss (gain) from sale of assets available for sale (note 33)	(29,893)	(4,053)
Exchange rate change on cash and cash equivalents	(33,631)	(13,830)
Changes in assets and liabilities	(18,338)	1,085,084
Decrease (increase) in loans and advances to financial institutions	9,367	(5,522)
Decrease (increase) in financial assets at amortized cost	(7,909)	(2,586)
Decrease (increase) in financial assets at fair value through other comprehensive income	839,265	(85,491)
Increase (decrease) in derivatives	19,878	396,694
Decrease (increase) in loans and advances to clients	(565,973)	(982,133)
Decrease (increase) in other loans and receivables	13,479	2,436
Decrease (increase) in other financial assets	9,331	(56,722)
Decrease (increase) in non-financial assets (note 9b)	(1,228)	(29,039)
Decrease (increase) in other assets	23,509	4,987
Increase (decrease) in deposits of financial institutions	(90,752)	(195,689)
Increase (decrease) in deposits of clients	(424,681)	2,388,873
Increase (decrease) in subordinated debts	-	38,870
Increase (decrease) in securities issued	(148,562)	(748,772)
Increase (decrease) in domestic loans	57,626	(62,600)
Increase (decrease) in foreign borrowings	(51,263)	(123,914)
Increase (decrease) in other financial liabilities	-	(2,224)
Increase (decrease) in other liabilities	(54,493)	(45,876)
Income tax and social contribution paid	(3,959)	(5,488)
Interest payment	(55,945)	(150,980)
Payment of contingencies	(47,810)	(43,698)
Interest earning	461,782	793,958
Cash from operating activities	45,493	1,423,413
Cash flows from investment activities		
Disposals of intangible assets (note 11)	44,891	2,186
Disposals of assets available for sale (note 9b)	80,305	29,453
Investments in tangible assets	(246)	-
Investments in intangible assets	(1,292)	(1,428)
Cash from investment activities	123,658	30,211
Cash flows from financing activities		
Increase in borrowings and onlendings	13,147,777	19,867,590
Capital instruments	55,741	(914,595)
Payment of loans	(12,609,004)	(19,956,346)
Cash from financing activities	594,514	(1,003,351)
Cash flow (used) in the year	763,664	450,273
Cash and cash equivalents at the beginning of the year	1,050,918	586,815
Exchange rate change on cash and cash equivalents	33,631	13,830
Cash and cash equivalents at the end of the year	1,848,214	1,050,918

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

1. Operations, presentation of consolidated financial statements, and other information

a) Operations.

China Construction Bank (Brazil) 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 Central Bank of Brazil) 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 in the following markets: lease, credit loan, financing and investments, distribution of securities and credit card administration, and has a 50% stake in a joint venture aimed at operations in the Factoring and Forfaiting market.

The issue of financial statements was authorized by the Board of Directors on March 30, 2022.

b) Foreign currency transactions and functional currency

The individual financial statements of the entities are presented in the currency of the primary economic environment in which the entity operates (functional currency). For financial statements consolidation purposes, the results and the financial position of consolidated entities are expressed in Brazilian Reais, CCB Brasil's functional currency and the consolidated financial statements presentation currency. Assets and liabilities are translated at the foreign exchange rate on balance sheet date at the end of the year.

c) Presentation of consolidated financial statements

The consolidated financial statements of CCB Brasil were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations of IFRS Interpretation Committee (current name of IFRIC) and all relevant information is evidenced.

d) Consolidation basis

The Company consolidated all entities in which they retain control, i.e., is exposed to or is entitled to variable returns from its involvement in an investee and has the capacity to direct activities related of the investee.

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

The subsidiaries included in the consolidation are described below:

Company name	Country of origin	Consolidation method	Interest
			<u>2021</u>
<u>Direct subsidiaries in the country</u>			
CCB Brasil Arrendamento Mercantil S/A	Brazil	Full	100%
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S/A	Brazil	Full	100%
CCB Brasil Informática S/A	Brazil	Full	100%
CCB Brasil Administradora de Cartões de Crédito Ltda.	Brazil	Full	100%
CCB Brasil S/A – Crédito, Financiamentos e Investimentos	Brazil	Full	100%
CCB Brasil Promotora de Vendas Ltda.	Brazil	Full	100%
CCB Brasil Cobrança Ltda.	Brazil	Full	100%

2. *Accounting policies and calculation criteria*

The accounting policies and calculation criteria used in the preparation of consolidated financial statements are as follows:

a) **Classification of financial instruments**

i. Recognition date

All financial assets and liabilities are originally recognized on negotiation date, that is, the date in which CCB Brasil becomes an integral part of the instrument contractual relationship. Including: financial assets purchases or sales requiring the asset to be delivered within a determined period established by the bylaws or market standards.

ii. Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on their characteristics and the purpose for which financial instruments were purchased by Management. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost or fair value.

iii. Classification of financial assets for measurement purposes.

CCB Brasil classifies its financial assets into the following categories of measurement:

- Amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss

The subsequent classification and measurement of financial assets rely on:

- The business model under which they are managed;
- The characteristics of its cash flows (Solely Payment of Principal and Interest (SPPI) Test).

Business model: represents the way in which the financial assets are managed to generate cash flows and does not depend on Management's intentions regarding an individual instrument. The financial assets can be managed with the purpose of: i) obtain contractual cash flows; ii) obtain contractual cash flows and sale; or iii) other. To evaluate the business models, the Bank considers the risks that affect the performance of the business model. how business managers are remunerated; and how the performance of business model is evaluated and reported to Management. If the cash flows are realized differently from CCB Brasil's expectations, the classification of the remaining financial assets maintained in this business model is not changed.

When the financial asset is maintained in business models i) and ii), it is necessary to apply the SPPI Test.

SPPI Test: evaluation of cash flows generated by the financial instrument in order to verify whether they are solely for the payment of principal and interest. To meet this concept, cash flows must include only consideration for the time value of money and the credit risk. If the contractual terms introduce exposure to risks or volatility in cash flows, such as exposure to changes in the prices of equity instruments or prices of commodities, the financial asset is classified as at fair value through profit or loss. Hybrid contracts must be assessed as a whole, including all embedded characteristics. The accounting for a hybrid contract containing an embedded derivative is carried out jointly, i.e., the entire instrument is measured at fair value through profit or loss.

Based on these factors, the Bank applies the following criteria for each classification category:

- Amortized cost
 - Assets managed in order to obtain contractual cash flows solely from payments of principal and interest (SPPI Test);
 - Initially recognized at fair value plus transaction costs;
 - Subsequently measured at amortized cost, using the effective interest rate;
 - Interest, including the amortization of premiums and discounts, is recognized in the Consolidated Income Statement under the heading “Interest Revenue and Alike”.
- Financial assets at fair value through other comprehensive income
 - Assets managed both to obtain contractual cash flows solely from payments of principal and interest (SPPI Test), and for sale;
 - Initially and subsequently recognized at fair value plus transaction costs;
 - Unrealized gains and losses (except for expected credit loss, exchange rate differences, dividends and interest revenue) are recognized, net of applicable taxes, in the “Other comprehensive income” caption in “Shareholders’ equity”.
- Financial assets at fair value through profit or loss and Financial assets at fair value
 - Assets that do not meet the classification criteria of the previous categories; or assets designated upon initial recognition as at fair value through profit or loss to reduce “accounting mismatches”;
 - Initially and subsequently recognized at fair value;Transaction costs are recorded directly in the consolidated statement of income;
 - Gains and losses from fair value changes are recognized in “Gains (losses) from net financial assets and liabilities”.

b) Measurement of financial assets and liabilities and recognition of changes in fair value

In general, financial assets and liabilities are initially recorded at fair value, which is considered equivalent to the transaction price, unless otherwise proven. Financial instruments not measured at fair value through profit or loss are adjusted at transaction costs.

Financial assets and liabilities are later measured as follows:

i. Amortized cost

The amortized cost is the amount by which the financial asset or liability is measured upon initial recognition, plus corrections made using the effective interest method, less amortization of principal and interest.

The "effective interest rate" is the discount rate that corresponds exactly to the initial amount of the financial instrument in relation to all estimated cash flows during the remaining useful life. For fixed rate financial instruments, the effective interest rate is similar to the contract interest rate defined on contract date plus commissions and transactions costs that, due to their nature, are part of their financial return, as applicable. For variable rate financial instruments, the effective interest rate is equal to the prevailing return rate of all commitments up to the next interest renewal reference date.

ii. Expected credit loss

The Bank evaluates on prospective bases the credit loss related to financial assets measured at amortized cost or at fair value through other comprehensive income. The recognition of the provision for expected credit losses is made monthly in a contra entry to the Consolidated Statement of Income.

Regarding financial assets measured at fair value through other comprehensive income, the Bank recognizes the provision for losses in the Consolidated Statement of Income as a contra entry to Income (loss), without any effect on the gross book value of the financial asset.

At each reported period, the Bank assesses whether the credit risk of a financial asset has increased significantly through reasonable and sustainable information that is relevant and available without undue cost or effort, including qualitative, quantitative and prospective information. Forward-looking information is based on macroeconomic scenarios that are reassessed monthly or whenever market conditions so require.

The Group applies a three-stage approach to measure the expected credit loss, in which the financial assets migrate from one stage to another according to the changes in credit risk:

These are considered financial assets with low credit risk and, thus, Brazilian government bonds remain in stage 1, according to a study carried out by the Bank.

The Bank assesses whether credit risk has increased significantly on an individual or collective basis. For collective assessment purposes, financial assets are grouped based on shared credit risk characteristics, considering the type of instrument, credit risk ratings, the date of initial recognition, the remaining term, area, geographical location of the counterparty and other relevant factors.

iii. Financial liabilities at fair value through profit or loss

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Classification applied to derivatives and other financial liabilities designated at fair value through profit or loss to reduce “accounting mismatches”. The Bank designates financial liabilities, on an irrevocable basis, at fair value through profit or loss upon initial recognition (fair value option), when the option significantly reduces or eliminates measurement or recognition inconsistencies.

Gains or losses on financial liabilities designated at fair value through profit or loss are partially presented in Other Comprehensive Income that will not be reclassified to net income or loss (the value of the change in the fair value of the financial liability is attributed to changes in the credit risk premium of the liability, which is not attributed to change in market risk) and partially as income of the year (the remaining amount of the change in the fair value of the liability).

Valuation techniques for fair value

The methods used by CCB Brasil to calculate fair value of financial instruments are rated in three different levels, as follows:

- Level 1: Uses public quotations and prices available in the active market as references. This level includes, mainly, securities issued by the national treasury, private issued securities with an "active" secondary market, equity instruments (shares) of other entities.
- Level 2: In the absence of public quotations, CCB Brasil, through internal models, makes its best estimate of the price that would be determined by the market for negotiation. For this, it uses data based on observable market parameters. Derivative financial instruments, which are measured using curves determined through rates disclosed by B3 S.A. - Brasil, Bolsa, Balcão, are assigned to this level, including the issuances abroad with prices available in the secondary market.
- Level 3: If there is no available data based on observable market parameters, Management uses internal information and models to determine the best fair value of financial assets and

liabilities. As of December 31, 2020, there were no financial instruments qualifying for this level.

There were no reclassifications between level 1 and level 2 in the years ended December 31, 2021 and 2020.

	2021			2020		
	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total
Derivatives (note 6)	68,438	46,230	114,668	5,340	98,570	103,910
Financial assets measured at fair value through other comprehensive income (note 5)	3,964,770	-	3,964,770	4,800,949	-	4,800,949
Derivatives (note 6)	83,910	37,883	121,793	8,923	82,233	91,156
Other liabilities at fair value through profit or loss (note 17 and note 19)	-	-	-	-	30,562	30,562

The main techniques used by CCB Brasil internal models (level 2) to determine the fair value of financial instruments detailed in the chart below are as follows:

	Fair value amounts calculated using internal models		Valuation techniques	Main assumptions
	2021	2020		
Derivatives assets	46,230	98,570		
Swap contracts	25,723	80,846	Present value method	Observable market data (discount rates and interest)
Forward operations	20,507	17,724	Present value method	Observable market data and liquidity (discount rates and interest)
Derivatives liabilities	37,883	82,233		
Swap contracts	31,059	51,864	Present value method	Observable market data (discount rates and interest)
Forward operations	6,824	30,369	Black-Scholes model	Observable market data and liquidity (discount rates and interest)
Other liabilities at fair value through profit or loss	-	30,562		
Foreign borrowings	-	30,562	Present value method	Observable market data (discount rates and interest)

c) Fair values of financial assets and liabilities not measured at fair value

The purpose of the chart below is to demonstrate the fair value of financial assets and liabilities not measured to fair value.

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

	2021				
	Book value	Fair value	Level 1	Level 2	Level 3
SECURITIES					
Securities at amortized cost (Note 5)	91,583	91,583	-	91,583	-
LOANS AND RECEIVABLES					
Loans and advances to clients (Note 7)	10,215,240	10,239,735	-	10,239,735	-
FINANCIAL LIABILITIES AT AMORTIZED COST					
Deposits from financial institutions (Note 14)	3,657,313	3,657,313	-	3,657,313	-
Client deposits (Note 15)	5,277,713	5,278,776	-	5,278,776	-
Obligations related to securities (Note 16)	544,637	545,484	-	545,484	-
Subordinated debts (Note 17)	948,685	918,385	-	918,385	-
Borrowings - Domestic (Note 18)	211,859	200,390	-	200,390	-
Foreign borrowings (Note 19)	4,590,286	4,681,865	-	4,681,865	-
	2020				
	Book value	Fair value	Level 1	Level 2	Level 3
SECURITIES					
Securities at amortized cost (Note 5)	83,674	83,667	-	83,667	-
LOANS AND RECEIVABLES					
Loans and advances to clients (Note 7)	10,357,440	11,712,628	-	11,712,628	-
FINANCIAL LIABILITIES AT AMORTIZED COST					
Deposits from financial institutions (Note 14)	3,748,065	3,748,102	-	3,748,102	-
Client deposits (Note 15)	5,702,394	5,714,095	-	5,714,095	-
Obligations related to securities (Note 16)	693,199	694,924	-	694,924	-
Subordinated debts (Note 17)	892,897	1,090,232	-	1,090,232	-
Borrowings - Domestic (Note 18)	154,233	153,000	-	153,000	-
Foreign borrowings (Note 19)	4,128,159	4,313,320	-	4,313,320	-

d) Write-off of financial assets and liabilities

Financial assets, or part of them, are derecognized when the contractual rights to receive the cash flow from the assets expire, or when they are transferred and the Group substantially transfers all the risks and rewards of ownership, or the Group does not substantially transfer or retain all the risks and rewards of participation.

The consolidated company carries out transactions whereby it retains the contractual rights to receive the cash flow from the assets, but assumes a contractual obligation to pay these cash flows to other entities and substantially transfers all the risks and rewards. These transactions recorded as ‘passed-through’ transfers that result in derecognition if the group:

- (i) is under no obligation to make payments unless it receives equivalent values for the assets;
- (ii) is prohibited to sell or offer the assets; and

(iii) has the obligation to remit all the money it collects from the assets without material delay.

e) Net reporting of financial instruments

Assets and liabilities and its respective revenues and expenses are presented net in the financial statements if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

f) Non-financial assets held for sale

Non-current assets destined to 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 likely and which shall probably occur within one year as of the base date of financial information. Non-current assets for sale 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. Non-current assets destined to sale are not depreciated, provided that they remain in such category.

Losses for non-recovery of an asset or disposal group as a result of reduction in its book value to the fair value (less sales cost) are recognized in "Gains (losses) from other (net) assets" in the consolidated statement of income. Gains from non-current asset allocated to sale arisen from subsequent increases in fair value (less sales costs) increase their book value and are recognized in the consolidated income statement up to the value equivalent to losses from non-recovery previously recognized.

g) Leases (Lessee)

CCB Brasil mainly leases real estate (underlying assets) to carry out its commercial activities. Initial recognition occurs when the agreement is signed, under the heading Other Liabilities, which corresponds to the total of future payments at present value against the Right-of-Use Asset, depreciated on a straight-line basis over the term of the lease.

The financial expense corresponding to the interest on the lease liability is recognized in the item Interest and Similar Expenses in the Consolidated Statement of Income.

h) Hedge operations

i. Fair value hedge

For these operations, the following practices are applied:

a) The gain or loss from the remeasurement of hedge instrument at fair value shall be recognized in income (loss); and

b) The gain or the loss resulting from the hedged item attributable to effective portion of the designated risk must adjust the book value of the hedged item to be recognized in income (loss).

When the derivative expires or is sold and the accounting hedge criteria are no longer met, or if the designation is revoked, the accounting hedge must be discontinued prospectively. Moreover, any adjustment to the book value of the hedged item must be amortized in P/L.

The Bank does not have cash flow hedge accounting or investment hedges abroad.

i) Tangible assets

Tangible assets include the value of furniture, vehicles, hardware and other accessories owned by consolidated entities, being presented at acquisition cost less the respective accumulated depreciation and any loss for non-recovery (net book value higher than the recoverable value).

Depreciation is calculated by the straight-line method, based on the acquisition cost of assets less its residual value.

Depreciation expense of tangible assets is recognized in the consolidated income statement and basically calculated utilizing the following depreciation rates (based on average years of estimated useful life of different assets):

Type of asset	Annual rate
Own buildings	4%
Furniture	10%
Fixtures	10%
Automobiles	20%
Office and IT equipment	20%
Leasehold improvements	10-25% (Pursuant to agreement)

The Bank evaluates, on the base date of financial information, if there is any indication that an asset may or may not be recoverable (that is, proportionally to the revised carrying amount and to the new remaining useful life (if useful life has to be estimated again). s, if its book value exceeds its recoverable value). In case of impairment of a tangible asset, the value determined and respective reversions (as the case may be) are recorded in income for the year in the account "(Net) Gains (Losses) with other assets".

Similarly, in case of recovery of value of the tangible asset, consolidated entities recognize loss reversion from non-recovery recognized in prior years and adjust expenses from future depreciation accordingly. In no event, reversion of a loss from non-recovery of an asset may increase its book value above the value it would have had, if no loss from non-recovery would have been recognized in previous years.

Conservation and maintenance expenses related to fixed assets for own use are recognized as expenses in the year they will be incurred.

j) Lease accounting

Financial leases are loan operations transferring substantially to lessee all risks and benefits associated to the property of asset leased.

Whenever consolidated entities act in the capacity of lessors with respect to an asset, the sum of present value of payments to be received from lessee with respect to lease plus the residual value guaranteed - which, in general, it is the strike price of the purchase option of lessee at the end of the term of lease - is recognized as loan to third parties and, therefore, included in the account “loans and advances to clients” in the consolidated balance sheet.

k) Intangible assets

Intangible assets represent identifiable non-monetary assets (separated from other assets) without physical substance resulting from a legal transaction or which are internally developed by consolidated entities. Assets the costs of which may be reliably estimated, and from which consolidated entities shall deem likely that future economic benefits will be generated are recognized.

Intangible assets are initially recognized at the acquisition or production cost and are subsequently measured at the acquisition cost less any accumulated losses and any losses due to non-recovery (net book value higher than the recoverable value).

Goodwill derived during the acquisition of subsidiaries represents the surplus of acquisition cost in view of the entity's interest in fair value of identifiable assets, liabilities and contingent liabilities in the company acquired on the date of acquisition. When such surplus is a negative one (negative goodwill), it is immediately recognized in income. Goodwill is classified as an intangible asset having undefined useful life; hence, it is not subject to amortization for the term of the expected future economic benefit.

Non-recovery of goodwill (that is, a reduction in its recoverable value below its book value) is evaluated at the end of each year presented, and any non-recovery is written-off and charged under “(Net) Gains (losses) with (net) financial assets and liabilities”, in the consolidated statement of income.

l) Provisions, contingent assets and liabilities

Provisions, contingent assets and contingent liabilities are valued, recognized and disclosed according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Contingent assets and liabilities are potential rights and obligations arising from past events, the occurrence of which depends upon uncertain future events.

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. **(Note 21)**. 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 a note **(Note 21)**.

Contingent liabilities 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, regardless of the evaluation of the likelihood of a favorable outcome.

m) Recognition of revenues and expenses

The most significant criteria used by CCB Brasil to recognize its revenues and expenses are summarized as follows:

i. Interest revenues and expenses and alike

Revenues and expenses on interest and similar are recognized by the accrual basis, utilizing the effective rate of interest method.

ii. Commissions, fees and similar items

Commission revenues and expenses are recognized in the consolidated income statement, using criteria varying according to their nature. The main criteria are the following:

- Revenues and expenses on fees and commissions, related to financial assets and liabilities measured at the fair value through profit or loss, are recognized upon payment.
- Those arising from transactions or services performed during a period of time are recognized throughout the life of such transactions or services.
- Those related to services rendered in one time are recognized upon execution thereof.

iii. Non-financial revenues and expenses

Are recognized for accounting purposes by the accrual basis of accounting.

n) Financial guarantees

Financial guarantees are defined as agreements through which an entity undertakes to make specific payments on behalf of a third party in case the third party does not make it, independently of the several legal forms they might take, such as, guarantees, irrevocable documentary credits issued or guaranteed by the entity, etc.

CCB Brasil initially recognizes the financial guarantees rendered in liabilities in the consolidated balance sheet at fair value, that is, in general, the present value of fees, commissions and interest receivable from these agreements during the term thereof.

Financial guarantees, independently of guarantor, instruments or other circumstances, are periodically revised for determination of the credit risk to which they are exposed to, and, as the case may be, to consider if a provision is required. The credit risk is determined by application of criteria similar to those established for quantification of losses on non-recovery on loans and receivables measured at amortized cost.

o) Income tax and social contribution

Income tax expense is recognized in the consolidated income statement, except when resulting from a transaction directly recognized in shareholders' equity, and, in this event, the tax effect is also recognized in shareholders' equity.

Current income tax expense is calculated as the sum of current tax resulting from application of the appropriate tax rate to the taxable income of the year (net of any deductions permitted for tax purposes), and changes in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences identified as values expected to be paid or recovered upon differences between book values of assets and liabilities, and their respective calculation bases, and accumulated tax losses. These values are measured at the rates expected to be applied in the period in which asset will be realized or liability will be liquidated.

Deferred tax assets are only recognized for temporary differences in the extent it shall be deemed likely that consolidated entities will have sufficient future taxable income against which deferred tax assets might be utilized.

Income tax and social contribution are calculated on accounting income adjusted in accordance with tax legislation, at the rates of 15%, plus a 10% surcharge above a certain limit for income tax and 15% on income before from the income tax deduction for social contribution until February 2020, according to Law No. 13,169/15 and, as of March 2020, the Bank started to adopt the rate of 20%, according to Constitutional Amendment No. 103/19. The controlled companies maintain a 15% aliquot.

The stock of tax credits and deferred tax liabilities recorded at December 31, 2021 and 2020 were measured at the rates expected to be applicable in the period when the asset is realized or the liability settled, based on the rates in effect at on the base date being reported.

As of July 2021, in accordance with Law No. 14,183/2021, the social contribution of financial institutions was increased by 5% until December 31, 2021.

IFRIC 23

The CCB Brasil carried out analyzes on the procedures adopted for the accounting and presentation of Taxes on Profits in relation to the content of IFRIC 23, whose conclusion is that there are no impacts on the disclosures of the periods presented.

p) Critical accounting estimates

Consolidated income and the determination of consolidated equity are impacted by accounting policies, assumptions, estimates and measurement methods used by CCB Brasil management in the preparation of consolidated financial statements. All estimates and assumptions emphasized below, applied by Management in conformity with IFRS, are the best estimates in accordance with the applicable standard.

Consolidated financial statements include estimates and assumptions, such as the evaluation of financial asset and liability fair values, measurement of the recoverable value of financial and non-financial assets and the recognition and evaluation of deferred taxes. These estimates, which were prepared with the best information available, are as follows:

i. Evaluation of fair value for certain financial instruments;

The fair value of a financial instrument in a certain date is interpreted as the amount by which it could be acquired or sold on that date by two well-informed parties, acting deliberately and with prudence, in a transaction under regular market conditions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an active, transparent and significant market ("quoted price" or "market price").

If there is no market price available for a financial instrument, its fair value will be estimated based on the price established in recent transactions involving the same instrument or similar instruments and, in the absence of those, based on evaluation techniques normally used by the financial market, considering, when applicable, market observable data.

In addition to the method of discount to present value to evaluate financial instruments (method applicable mainly to debt instruments, swaps, and forward transactions); where future expected cash flows are discounted to present value using the curves calculated based on observable market data (PU Anbima, DIs and Future DDIs, etc.).

ii. Impairment of financial assets;

CCB Brasil recognizes the losses inherent to financial assets not evaluated at fair value taking into consideration the historical experience with impairment and other evaluation circumstances.

iii. Measurement of the recoverable value of tangible and intangible assets

On financial statements disclosure date, CCB Brasil verifies the existence of objective evidences of impairment of non-financial assets. This measurement may involve subjective evaluation criteria, such as the technical and operational obsolescence analysis or the expected replacement of the asset by another asset that generates higher future economic benefits.

iv. Recognition and evaluation of deferred taxes;

Deferred tax assets are recognized in relation to temporary differences and tax losses to be offset to the extent it is probable that the Bank will have future taxable income that will allow the utilization of deferred tax assets.

Estimates regarding the determination of future taxable income are based on the technical study of tax credit realization that covers estimates and projections of events and future trends which may affect consolidated financial statements.

v. Provisions, Contingencies and Other Commitments;

CCB Brasil periodically reviews its contingencies. Such contingencies, which are evaluated based on best Management estimates, taking into consideration the opinion of legal advisors, whenever it is probable that financial funds will be required to settle obligations and when total obligations may be reasonably estimated.

Contingencies classified as "Probable" are recognized in the Balance sheet as "Provisions".

Contingency amounts are defined using models and criteria that allow proper measurement, despite uncertainties inherent to terms and amounts, as detailed in **Note 21**.

The sensitivity analysis is detailed in **Note 37** - "Risk Management".

vi. Provision for guarantees provided.

The methodology for calculating provisions for guarantees is based on the likelihood of disbursement to honor the guarantees provided, calculated using a model developed by the institution with verifiable information and criteria.

Additionally, legal disputes related to guarantees whose likelihood of disbursement is considered as "probable" by the institution's legal advisors are included in this provision.

The sensitivity analysis is detailed in **Note 37** - "Risk Management".

3. Cash and cash equivalents and reserves at the Central Bank of Brazil

	<u>2021</u>	<u>2020</u>
Cash	99	102
Financial Institutions bank deposits with no reserve account	176	64
Foreign currency deposits	347,945	168,393
Compulsory deposits at the Central Bank of Brazil	<u>4,637</u>	<u>11,114</u>
	352,857	179,673
Currency:		
Real	4,912	11,280
USD	<u>347,945</u>	<u>168,393</u>
	352,857	179,673
Term:		
Current	352,857	179,673

4. *Loans and advances to financial institutions*

The breakdown by rating, type, and currency of the balances in the item "Loans and advances to financial institutions" in the consolidated balance sheets is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Loans and receivables	1,927,057	1,318,789
Type:		
<i>Financial assets at amortized cost (stage 1):</i>		
Purchase and sale commitments	1,499,994	733,997
Judicial, administrative and in guarantee deposits	423,460	430,899
Interbank deposits	<u>3,603</u>	<u>153,893</u>
	1,927,057	1,318,789
Currency:		
Real	1,927,057	1,170,427
USD	<u>-</u>	<u>148,362</u>
	1,927,057	1,318,789
Term:		
Current	1,503,597	888,340
Non-current	<u>423,460</u>	<u>430,449</u>
	1,927,057	1,318,789

5. Securities

The breakdown by rating, type, and currency of the balances in the item "Securities" is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial assets at amortized cost	91,583	83,674
Financial assets at fair value through other comprehensive income	<u>3,964,770</u>	<u>4,800,949</u>
	4,056,353	4,884,623
Type:		
<i>Financial assets at amortized cost (stage 1):</i>		
Quotas of FIDC	91,583	83,674
<i>Financial assets at fair value through other comprehensive income (stage 1):</i>		
Brazilian government bonds (*)	3,964,770	4,800,949
Currency:		
Real	4,056,353	4,884,623
Term:		
Current	1,823,079	1,093,254
Non-current	<u>2,233,274</u>	<u>3,791,369</u>
	4,056,353	4,884,623

(*) The accounting balance includes R\$ 421,438 (R\$ 321,890 in 2020) referring to the margin deposited in guarantee of operations with derivative financial instruments and R\$ 651 (R\$ 2,118 in 2020) referring to lawsuits and R\$ 483 (R\$ 462 in 2020) referring to other guarantees.

6. *Derivatives*

a) Policy of use

By reason of the Paul Volcker Rule, applicable to the CCB Group globally, CCB Brasil's trading portfolio operations are restricted to derivative operations with customers and must always be hedged. During the current year, with the aim of mitigating the market risk that arises from the mismatches between the Conglomerate's assets and liabilities, CCB Brasil negotiated traditional and non-complex derivatives (plain vanilla), primarily aiming to meet the needs of customers, always with respective hedges, but also used this instrument to hedge exposure to interest rates in the banking portfolio.

b) Protection against Exchange Rate Exposures

CCB Brasil carries out Swap, NDF (currency term) and Futures Market operations for the purpose of hedging liabilities 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.

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. Keeping in mind that the credit portfolio, which is covered by the hedge, is distributed among the companies (Bank and Financial), and in turn, the future contracts are all concentrated in the Bank, the designation of the fair value hedge of this relationship was therefore applied only on the consolidated balance sheet. Hedge coverage is monitored daily and assessed quarterly for the purposes of enabling and maintaining the accounting hedge, and meets criteria that consider the total portfolio, less arrears and prepayment. The Bank's Treasury assesses the need to buy or sell new DI futures contracts to offset the adjustment to market value of the hedge object, to guarantee a hedge effectiveness ranging from 80 to 125%, considering the relationship between the change in the market of the protected layer, the designated hedge object, and the change in the market 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, indexes, and terms of its asset and liability transactions.

The main risk factors for derivatives assumed on December 31, 2021 were related to exchange rate, interest rate and dollar coupon, which aim maximizing risk and return ratios, even in

situations of high volatility. The risk management control of the portfolios is performed using the metrics VaR (for the trading portfolio), EVE and NII (for the 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;
- **Swap:** the cash flow of each of its parts is estimated, discounted to present value, according to the corresponding interest curves, obtained based on the prices of B3 S.A. – Brasil, Bolsa, Balcão and/or the market prices of government bonds for operations in Brazil, and in the prices of international stock exchanges for operations carried out abroad, where applicable;

f) Accounting

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 December 31, 2021), 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.

The outstanding operations at December 31, 2021 have the following characteristics:

BANK AND CONSOLIDATED							Reference value				
	Current	Non-current	Differential receivable	Current	Non-current	Differential payable	Net position of assets' and (liabilities) contracts				
							Falling due up to 03 months	Falling due 03-12 months	Total current	Non-current	Total
Swap contracts											
Interbank market	1,829	7,842	9,671	18,224	10,100	28,324	12,085	144,840	156,925	478,111	635,036
Foreign currency	1,798	5,758	7,556	208	2,775	2,983	(19,089)	(176,329)	(195,418)	(478,111)	(673,529)
Fixed rate	511	-	511	1,054	-	1,054	7,004	31,489	38,493	-	38,493
Subtotal	4,138	13,600	17,738	19,486	12,875	32,361	-	-	-	-	-
Adjustment to market value	831	7,154	7,985	450	(1,752)	(1,302)	-	-	-	-	-
Total	4,969	20,754	25,723	19,936	11,123	31,059	-	-	-	-	-
Forward contracts/Non-deliverable forwards - NDF											
Forward purchase/NDF	7,670	7,566	15,236	5,676	227	5,903	326,065	286,802	612,867	116,135	729,002
Forward sale/NDF	5,271	-	5,271	921	-	921	314,339	60,972	375,311	-	375,311
Subtotal	12,941	7,566	20,507	6,597	227	6,824	-	-	-	-	-
Total	17,910	28,320	46,230	26,533	11,350	37,883	-	-	-	-	-
Futures contracts (*)											
Purchase - Interbank market	113	-	113	-	-	-	61,795	267,682	329,477	107,779	437,256
Sale - Interbank market	-	-	-	400	-	400	(169,382)	(318,886)	(488,268)	(657,668)	(1,145,936)
Buy - DDI - For. cur. coupon	-	-	-	64,507	-	64,507	568,485	2,271,652	2,840,137	296,616	3,136,753
Sale - DDI - For. cur. coupon	3,568	-	3,568	-	-	-	(25,621)	(147,432)	(173,053)	-	(173,053)
Purchase - Foreign currency	43	-	43	19,003	-	19,003	922,168	-	922,168	-	922,168
Sale - Foreign currency	64,714	-	64,714	-	-	-	(3,148,812)	-	(3,148,812)	-	(3,148,812)
Total	68,438	-	68,438	83,910	-	83,910	-	-	-	-	-

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

The operations outstanding on December 31, 2020 have the following characteristics:

BANK AND CONSOLIDATED							Reference value				
							Net position of assets' and (liabilities) contracts				
	Current	Non-current	Differential receivable	Current	Non-current	Differential payable	Falling due up to 03 months	Falling due 03-12 months	Total current	Non-current	Total
Swap contracts											
Interbank market	3,047	3,051	6,098	8	872	880	75,048	14,221	89,269	5,005	94,274
Foreign currency	31,256	39,367	70,623	16,312	34,000	50,312	(89,040)	(53,387)	(142,427)	(5,005)	(147,432)
Fixed rate	827	-	827	-	-	-	13,992	39,166	53,158	-	53,158
Subtotal	35,130	42,418	77,548	16,320	34,872	51,192	-	-	-	-	-
Adjustment to market value	962	2,336	3,298	(826)	1,498	672	-	-	-	-	-
Total	36,092	44,754	80,846	15,494	36,370	51,864	-	-	-	-	-
Forward contracts/Non-deliverable forwards - NDF											
Forward purchase/NDF	10,674	1,782	12,456	28,647	1,018	29,665	312,111	348,171	660,282	41,184	701,466
Forward sale/NDF	5,268	-	5,268	704	-	704	315,265	67,872	383,137	-	383,137
Subtotal	15,942	1,782	17,724	29,351	1,018	30,369	-	-	-	-	-
Total	52,034	46,536	98,570	44,845	37,388	82,233					
Futures contracts (*)											
Purchase - Interbank market	42	-	42	7	-	7	36,495	310,734	347,229	51,255	398,484
Sale - Interbank market	17	-	17	664	-	664	(415,790)	(214,966)	(630,756)	(1,070,498)	(1,701,254)
Buy - DDI - For. cur. coupon	228	-	228	3,331	-	3,331	383,089	1,498,342	1,881,431	-	1,881,431
Sale - DDI - For. cur. coupon	937	-	937	134	-	134	(498,003)	(262,938)	(760,941)	(53,669)	(814,610)
Purchase - Foreign currency	236	-	236	4,313	-	4,313	1,756,936	-	1,756,936	-	1,756,936
Sale - Foreign currency	3,880	-	3,880	474	-	474	(1,871,734)	-	(1,871,734)	-	(1,871,734)
Total	5,340	-	5,340	8,923	-	8,923					

7. *Loans and advances to clients*

a) Breakdown

The breakdown of balances in the item "Loans and advances to clients" in the consolidated balance sheets is as follows:

	2021			TOTAL
	Stage 1	Stage 2	Stage 3	
Individuals	1,013,589	38,312	134,057	1,185,958
Payroll loans	998,562	38,289	125,732	1,162,583
Other loans	15,027	23	8,325	23,375
Legal Entities	8,843,814	62,927	122,541	9,029,282
Working capital	2,644,231	46,888	25,495	2,716,614
Import/export financing	4,389,676	14,015	27,760	4,431,451
Other loans	1,809,907	2,024	69,286	1,881,217
Total	9,857,403	101,239	256,598	10,215,240

Term:

Current	5,844,239
Non-current	<u>4,371,001</u>
	10,215,240

	2020			TOTAL
	Stage 1	Stage 2	Stage 3	
Individuals	1,610,440	78,359	408,964	2,097,763
Payroll loans	1,608,087	78,337	359,202	2,045,626
Other loans	2,353	22	49,762	52,137
Legal Entities	8,092,415	54,324	112,938	8,259,677
Working capital	2,891,096	28,174	22,029	2,941,299
Import/export financing	3,670,979	7,702	10,435	3,689,116
Other loans	1,530,340	18,448	80,474	1,629,262
Total	9,702,855	132,683	521,902	10,357,440

Term:

Current	6,322,181
Non-current	<u>4,035,259</u>
	10,357,440

b) Gross book value (loan portfolio) for stages of expected loss

Reconciliation of the “Loans and advances to clients” gross portfolio, segregated by stages:

Stage 1	Opening balance 12/31/2020	Transfer to Stage 2	Transfer to Stage 3	Transfer from Stage 2	Transfer from Stage 3	Other changes*	Closing Balance 12/31/2021	
Individuals	1,610,440	(13,586)	(52,432)	12,320	35,850	(579,003)	1,013,589	
Payroll loans	1,608,087	(13,586)	(52,432)	12,320	21,027	(576,854)	998,562	
Other loans **	2,353	-	-	-	14,823	(2,149)	15,027	
Legal Entities	8,092,415	(57,475)	(17,652)	-	3,109	823,417	8,843,814	
Working capital	2,891,096	(57,436)	(5,650)	-	-	(183,779)	2,644,231	
Import/export financing	3,670,979	-	-	-	-	718,697	4,389,676	
Other loans **	1,530,340	(39)	(12,002)	-	3,109	288,499	1,809,907	
Total	9,702,855	(71,061)	(70,084)	12,320	38,959	244,414	9,857,403	
Stage 2	Opening balance 12/31/2020	Transfer to Stage 1	Transfer to Stage 3	Transfer from Stage 1	Transfer from Stage 3	Other changes *	Closing Balance 12/31/2021	
Individuals	78,359	(12,320)	(5,491)	13,586	1,856	(37,678)	38,312	
Payroll loans	78,337	(12,320)	(5,491)	13,586	1,820	(37,643)	38,289	
Other loans **	22	-	-	-	36	(35)	23	
Legal Entities	54,324	-	(12,453)	57,475	18,331	(54,750)	62,927	
Working capital	28,174	-	(4,751)	57,436	15,346	(49,317)	46,888	
Import/export financing	7,702	-	(7,702)	-	-	14,015	14,015	
Other loans **	18,448	-	-	39	2,985	(19,448)	2,024	
Total	132,683	(12,320)	(17,944)	71,061	20,187	(92,428)	101,239	
Stage 3	Opening balance 12/31/2020	Transfer to Stage 1	Transfer to Stage 2	Transfer from Stage 1	Transfer from Stage 2	Write-off	Other changes *	Closing Balance 12/31/2021
Individuals	408,964	(35,850)	(1,856)	52,432	5,491	(229,875)	(65,249)	134,057
Payroll loans	359,202	(21,027)	(1,820)	52,432	5,491	(229,875)	(38,671)	125,732
Other loans **	49,762	(14,823)	(36)	-	-	-	(26,578)	8,325
Legal Entities	112,938	(3,109)	(18,331)	17,652	12,453	(16,516)	17,454	122,541
Working capital	22,029	-	(15,346)	5,650	4,751	-	8,411	25,495
Import/export financing	10,435	-	-	-	7,702	-	9,623	27,760
Other loans **	80,474	(3,109)	(2,985)	12,002	-	(16,516)	(580)	69,286
Total	521,902	(38,959)	(20,187)	70,084	17,944	(246,391)	(47,795)	256,598
Consolidated - 3 stages	Opening balance 12/31/2020	Write-off	Other changes	Closing Balance 12/31/2021				
Individuals	2,097,763	(229,875)	(681,930)	1,185,958				
Payroll loans	2,045,626	(229,875)	(653,168)	1,162,583				
Other loans **	52,137	-	(28,762)	23,375				
Legal Entities	8,259,677	(16,516)	786,121	9,029,282				
Working capital	2,941,299	-	(224,685)	2,716,614				
Import/export financing	3,689,116	-	742,335	4,431,451				

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Other loans **	1,629,262	(16,516)	268,471	1,881,217
Total	10,357,440	(246,391)	104,191	10,215,240

* In “other changes”, operations derecognized upon receipt and the inclusion of new operations, credit assignments and exchange-rate changes in operations indexed in foreign currency are considered.

** “Other loans” include other types of credit (advances on foreign exchange contracts, rural and agro-industrial financing, machinery and heavy vehicle financing, debtors for the purchase of securities and assets, securities and credits receivable).

Stage 1	Opening balance 12/31/2019	Transfer to Stage 2	Transfer to Stage 3	Transfer from Stage 2	Transfer from Stage 3	Other changes*	Closing Balance 12/31/2020
Individuals	2,207,818	(13,744)	(194,372)	35,555	10,157	(434,974)	1,610,440
Payroll loans	2,192,641	(13,744)	(183,527)	35,554	10,141	(432,978)	1,608,087
Other loans **	15,177	-	(10,845)	1	16	(1,996)	2,353
Legal Entities	7,333,477	(17,162)	(35,335)	18,912	-	792,523	8,092,415
Working capital	3,022,572	(17,162)	(4,219)	6,756	-	(116,851)	2,891,096
Import/export financing	2,239,376	-	-	-	-	1,431,603	3,670,979
Other loans **	2,071,529	-	(31,116)	12,156	-	(522,229)	1,530,340
Total	9,541,295	(30,906)	(229,707)	54,467	10,157	357,549	9,702,855

Stage 2	Opening balance 12/31/2019	Transfer to Stage 1	Transfer to Stage 3	Transfer from Stage 1	Transfer from Stage 3	Other changes *	Closing Balance 12/31/2020
Individuals	283,938	(35,555)	(33,023)	13,744	1,375	(152,120)	78,359
Payroll loans	283,756	(35,554)	(32,976)	13,744	1,375	(152,008)	78,337
Other loans **	182	(1)	(47)	-	-	(112)	22
Legal Entities	226,269	(18,912)	-	17,162	-	(170,195)	54,324
Working capital	16,585	(6,756)	-	17,162	-	1,183	28,174
Import/export financing	68,421	-	-	-	-	(60,719)	7,702
Other loans **	141,263	(12,156)	-	-	-	(110,659)	18,448
Total	510,207	(54,467)	(33,023)	30,906	1,375	(322,315)	132,683

Stage 3	Opening balance 12/31/2019	Transfer to Stage 1	Transfer to Stage 2	Transfer from Stage 1	Transfer from Stage 2	Write-off	Other changes *	Closing Balance 12/31/2020
Individuals	224,502	(10,157)	(1,375)	194,372	33,023	(81,232)	49,831	408,964
Payroll loans	123,692	(10,141)	(1,375)	183,527	32,976	(45,105)	75,628	359,202
Other loans **	100,810	(16)	-	10,845	47	(36,127)	(25,797)	49,762
Legal Entities	102,055	-	-	35,335	-	(127,561)	103,109	112,938
Working capital	7,574	-	-	4,219	-	-	10,236	22,029
Import/export financing	11,751	-	-	-	-	-	(1,316)	10,435
Other loans **	82,730	-	-	31,116	-	(127,561)	94,189	80,474
Total	326,557	(10,157)	(1,375)	229,707	33,023	(208,793)	152,940	521,902

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Consolidated - 3 stages	Opening balance 12/31/2019	Write-off	Other changes	Closing Balance 12/31/2020
Individuals	2,716,258	(81,232)	(537,263)	2,097,763
Payroll loans	2,600,089	(45,105)	(509,358)	2,045,626
Other loans **	116,169	(36,127)	(27,905)	52,137
Legal Entities	7,661,801	(127,561)	725,437	8,259,677
Working capital	3,046,731	-	(105,432)	2,941,299
Import/export financing	2,319,548	-	1,369,568	3,689,116
Other loans **	2,295,522	(127,561)	(538,699)	1,629,262
Total	10,378,059	(208,793)	188,174	10,357,440

* In “other changes”, operations derecognized upon receipt and the inclusion of new operations, credit assignments and exchange-rate changes in operations indexed in foreign currency are considered.

** “Other loans” include other types of credit (advances on foreign exchange contracts, rural and agro-industrial financing, machinery and heavy vehicle financing, debtors for the purchase of securities and assets, securities and credits receivable).

c) Expected credit loss

Breakdown of the provision for expected credit loss of “Loans and advances to clients and securities”:

	<u>2021</u>	<u>2020</u>
Individuals	166,542	326,576
Payroll loans	158,253	299,685
Other loans	8,289	26,891
Legal Entities	105,040	110,640
Working capital	18,160	25,867
Import/export financing	32,986	32,078
Other loans	53,894	52,695
Subtotal	271,582	437,216
Securities (Stage 1)	269	521
Total	271,851	437,737
Term:		
Current	165,516	210,310
Non-current	106,335	227,427
	271,851	437,737

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Reconciliation of the provision for expected credit loss of “Loans and advances to clients”, segregated by stages:

Stage 1	Opening balance 12/31/2020	Transfer to Stage 2	Transfer to Stage 3	Transfer from Stage 2	Transfer from Stage 3	Formation / (Reversal)	Closing Balance 12/31/2021
Individuals	50,166	(471)	(1,663)	1,084	22,047	(22,902)	48,261
Payroll loans	49,976	(471)	(1,663)	1,084	14,300	(16,448)	46,778
Other loans	190	-	-	-	7,747	(6,454)	1,483
Legal Entities	32,162	(489)	(90)	-	864	(11,328)	21,119
Working capital	8,500	(489)	(29)	-	-	(4,274)	3,708
Import/export financing	19,597	-	-	-	-	(5,503)	14,094
Other loans	4,065	-	(61)	-	864	(1,551)	3,317
Total	82,328	(960)	(1,753)	1,084	22,911	(34,230)	69,380

Stage 2	Opening balance 12/31/2020	Transfer to Stage 1	Transfer to Stage 3	Transfer from Stage 1	Transfer from Stage 3	Formation / (Reversal)	Closing Balance 12/31/2021
Individuals	6,101	(1,084)	(484)	471	1,247	(2,382)	3,869
Payroll loans	6,100	(1,084)	(484)	471	1,228	(2,364)	3,867
Other loans	1	-	-	-	19	(18)	2
Legal Entities	5,278	-	(4,885)	489	11,736	(12,248)	370
Working capital	537	-	(167)	489	11,736	(12,252)	343
Import/export financing	4,717	-	(4,718)	-	-	28	27
Other loans	24	-	-	-	-	(24)	-
Total	11,379	(1,084)	(5,369)	960	12,983	(14,630)	4,239

Stage 3	Opening balance 12/31/2020	Transfer to Stage 1	Transfer to Stage 2	Transfer from stage 1	Transfer from Stage 2	Write-off	Formation / (Reversal)	Closing Balance 12/31/2021
Individuals	270,309	(22,047)	(1,247)	1,663	484	(229,875)	95,125	114,412
Payroll loans	243,609	(14,300)	(1,228)	1,663	484	(229,875)	107,255	107,608
Other loans	26,700	(7,747)	(19)	-	-	-	(12,130)	6,804
Legal Entities	73,200	(864)	(11,736)	90	4,885	(16,516)	34,492	83,551
Working capital	16,830	-	(11,736)	29	167	-	8,819	14,109
Import/export financing	7,764	-	-	-	4,718	-	6,383	18,865
Other loans	48,606	(864)	-	61	-	(16,516)	19,290	50,577
Total	343,509	(22,911)	(12,983)	1,753	5,369	(246,391)	129,617	197,963

Consolidated - 3 stages	Opening balance 12/31/2020	Write-off	Formation / (Reversal)	Closing Balance 12/31/2021
Individuals	326,576	(229,875)	69,841	166,542
Payroll loans	299,685	(229,875)	88,443	158,253
Other loans	26,891	-	(18,602)	8,289
Legal Entities	110,640	(16,516)	10,916	105,040
Working capital	25,867	-	(7,707)	18,160

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Import/export financing	32,078	-	908	32,986
Other loans	52,695	(16,516)	17,715	53,894
Subtotal	437,216	(246,391)	80,757	271,582
Securities	521	-	(252)	269
Total	437,737	(246,391)	80,505	271,851

Stage 1	Opening balance 12/31/2019	Transfer to Stage 2	Transfer to Stage 3	Transfer from Stage 2	Transfer from Stage 3	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	61,946	(449)	(6,107)	3,260	7,196	(15,680)	50,166
Payroll loans	61,398	(449)	(5,816)	3,260	7,187	(15,604)	49,976
Other loans	548	-	(291)	-	9	(76)	190
Legal Entities	64,424	(118)	(355)	338	-	(32,127)	32,162
Working capital	24,187	(118)	(263)	185	-	(15,491)	8,500
Import/export financing	30,630	-	-	-	-	(11,033)	19,597
Other loans	9,607	-	(92)	153	-	(5,603)	4,065
Total	126,370	(567)	(6,462)	3,598	7,196	(47,807)	82,328

Stage 2	Opening balance 12/31/2019	Transfer to Stage 1	Transfer to Stage 3	Transfer from Stage 1	Transfer from Stage 3	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	24,040	(3,260)	(2,839)	449	928	(13,217)	6,101
Payroll loans	24,023	(3,260)	(2,832)	449	928	(13,208)	6,100
Other loans	17	-	(7)	-	-	(9)	1
Legal Entities	7,944	(338)	-	118	-	(2,446)	5,278
Working capital	272	(185)	-	118	-	332	537
Import/export financing	7,037	-	-	-	-	(2,320)	4,717
Other loans	635	(153)	-	-	-	(458)	24
Total	31,984	(3,598)	(2,839)	567	928	(15,663)	11,379

Stage 3	Opening balance 12/31/2019	Transfer to Stage 1	Transfer to Stage 2	Transfer from stage 1	Transfer from Stage 2	Write-off	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	137,419	(7,196)	(928)	6,107	2,839	(81,232)	213,300	270,309
Payroll loans	86,969	(7,187)	(928)	5,816	2,832	(45,104)	201,211	243,609
Other loans	50,450	(9)	-	291	7	(36,128)	12,089	26,700
Legal Entities	71,309	-	-	355	-	(127,561)	129,097	73,200
Working capital	5,030	-	-	263	-	-	11,537	16,830
Import/export financing	9,816	-	-	-	-	-	(2,052)	7,764
Other loans	56,463	-	-	92	-	(127,561)	119,612	48,606
Total	208,728	(7,196)	(928)	6,462	2,839	(208,793)	342,397	343,509

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Consolidated - 3 stages	Opening balance 12/31/2019	Write-off	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	223,405	(81,232)	184,403	326,576
Payroll loans	172,390	(45,104)	172,399	299,685
Other loans	51,015	(36,128)	12,004	26,891
Legal Entities	143,677	(127,561)	94,524	110,640
Working capital	29,489	-	(3,622)	25,867
Import/export financing	47,483	-	(15,405)	32,078
Other loans	66,705	(127,561)	113,551	52,695
Subtotal	367,082	(208,793)	278,927	437,216
Securities	356	-	165	521
Total	367,438	(208,793)	279,092	437,737

8. *Other loans and receivables*

All the balances of counterparties that are not clients or financial institutions are considered "Other Loans and Receivables." As at December 31, 2021, the item basically comprises commissions with recourse receivable and commissions on guarantees provided to the Cayman Branch.

	<u>2021</u>	<u>2020</u>
Income receivable	14,850	14,750
Credits granted without credit characteristics	556	11,647
Total	15,406	26,397
Term:		
Current	7,353	11,783
Non-current	8,053	14,614
	<u>15,406</u>	<u>26,397</u>

9. Non-financial assets held for sale

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

a) Breakdown

	<u>2021</u>	<u>2020</u>
Classification:		
Non-financial assets held for sale	97,551	156,986
Type:		
Real estate	200,469	280,315
Machinery and equipment	15,810	17,053
Vehicles	2,578	5,542
Other	598	813
Subtotal	<u>219,455</u>	<u>303,723</u>
Provision for impairment losses	(121,904)	(146,737)
Total net provision	<u>97,551</u>	<u>(156,986)</u>

b) Changes

	<u>2021</u>	<u>2020</u>
Cost:		
Balances at beginning of the year	303,723	377,648
Assets seized	710	5,539
Gain (loss) in sale of assets	(4,147)	(11,900)
Write-off due to impairment	(526)	(38,111)
Disposals	<u>(80,305)</u>	<u>(29,453)</u>
Balances at the end of the year	219,455	303,723
Accumulated provision:		
Balances at beginning of the year	(146,737)	(180,883)
Reversal by disposal/sale of assets	34,040	15,953
Reversal due to impairment	526	38,111
Provisions for the fiscal year	<u>(9,733)</u>	<u>(19,918)</u>
Total provision at the end of the year	(121,904)	(146,737)
Net balance of non-financial assets held for sale	<u>97,551</u>	<u>156,986</u>

10. Investments

The breakdown of this item's balances is as follows:

	<u>2021</u>	<u>2020</u>
Shares and quotas	14	14
Membership certificates	233	233
Provision for loss on equity securities	(233)	-
Other financial assets	<u>8</u>	<u>9</u>
Total	22	256

11. Tangible assets

CCB Brasil's tangible assets consist in fixed assets in use. CCB Brasil has no tangible assets stated as investment property.

Details by types of assets, of the tangible assets in the consolidated balance sheets are as follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Land and buildings	187,742	(82,684)	105,058
Data processing systems	10,272	(9,965)	307
Facilities, furniture and equipment in use	17,826	(14,911)	2,915
Other	2,297	(2,133)	164
<u>Balances at December 31, 2020</u>	<u>218,137</u>	<u>(109,693)</u>	<u>108,444</u>
Land and buildings	142,850	(98,521)	44,329
Data processing systems	10,517	(10,097)	420
Facilities, furniture and equipment in use	16,957	(15,975)	982
Other	3,168	(2,242)	926
<u>Balances at December 31, 2021</u>	<u>173,492</u>	<u>(126,835)</u>	<u>46,657</u>

The changes in the "Tangible assets" item in the consolidated balance sheets are as follows:

	<u>2021</u>	<u>2020</u>
Cost:		
Balances at the beginning of the year	218,137	200,217
Additions	246	20,994
<u>Disposals</u>	<u>(44,891)</u>	<u>(3,074)</u>
Balances at the end of the year	173,492	218,137
Accumulated depreciation:		
Balances at the beginning of the year	(109,693)	(93,222)
Additions	(17,031)	(17,359)
Reduction to the recoverable value of impairment	(111)	-
<u>Disposals</u>	<u>-</u>	<u>888</u>
Total depreciation at yearend	(126,835)	(109,693)
<u>Net balance of Tangible Assets</u>	<u>46,657</u>	<u>108,444</u>

12. Intangible asset

The breakdown of balance of “Intangible assets” caption is as follows:

	Estimated useful life	2021	2020
With defined useful life:			
Expenses on software acquisition and development	Other	25,788	24,496
Accumulated amortization	Up to 05 years	(24,647)	(22,508)
		<u>1,141</u>	<u>1,988</u>

The changes under “Intangible Assets” were as follows:

	2021	2020
Opening balances	1,988	108,082
Additions	1,292	1,428
Impairment loss ⁽¹⁾	-	(105,190)
Amortizations	(2,139)	(2,332)
Balances at the end of the year	<u>1,141</u>	<u>1,988</u>

⁽¹⁾ During 2020, as a result of the uncertainties arising from the pandemic caused by COVID 19, as well as an increase in the volume of delinquency in payroll loan operations and the significant reduction in volumes operated, the Bank wrote off the goodwill in the amount of R\$105,190, as there is no expectation of generating sufficient cash flow in future years to maintain goodwill.

13. Other assets

Breakdown of “Other assets” balance is as follows:

	<u>2021</u>	<u>2020</u>
Sundry receivables	35,762	34,330
Other amounts receivable (*)	22,574	28,097
Prepaid expenses	1,233	956
Sundry accounts	<u>1,198</u>	<u>2,094</u>
	60,767	65,477
Term:		
Current	28,602	36,970
Non-current	<u>32,165</u>	<u>28,507</u>
	60,767	65,477

(*) It substantially refers to assets from public housing programs in the amount of R\$ 18,065 (R\$ 21,247 in 2020).

14. Deposits from financial institutions

The breakdown by rating, counterpart, type, and currency of the balances in this item is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial liabilities at amortized cost	3,657,313	3,748,065
Type:		
Liabilities from repurchase and resale agreements	3,603,942	3,499,202
Interbank deposits	<u>53,371</u>	<u>248,863</u>
	3,657,313	3,748,065
Currency:		
Real	3,657,313	3,748,065
Term:		
Current	3,657,313	3,748,065

15. Deposits from clients

The breakdown by rating, type, in the item "Client deposits" is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial liabilities at amortized cost	5,277,713	5,702,394
Type:		
Time Deposits	5,112,468	5,555,163
Demand deposits	135,332	114,594
Savings deposit	2,931	2,935
Other deposits (*)	<u>26,982</u>	<u>29,702</u>
	5,277,713	5,702,394
Currency:		
Real	5,250,753	5,672,720
USD	<u>26,960</u>	<u>29,674</u>
	5,277,713	5,702,394
Term:		
Current	3,662,996	2,487,369
Non-current	<u>1,614,717</u>	<u>3,215,025</u>
	5,277,713	5,702,394

(*) Substantially refers to the account of payment orders in foreign currency in the amount of R\$ 26,960 (R\$ 29,674 in 2020).

16. Securities issued

The breakdown by rating, type, and currency of the balances in the item "Securities issued" is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial liabilities at amortized cost	544,637	693,199
Type:		
<i>Financial liabilities at amortized cost</i>		
Obligations from issue of financial bills	200,687	411,916
Liabilities from issue of agribusiness real estate credit bills	342,750	278,669
Obligations from issue of real estate credit bill	<u>1,200</u>	<u>2,614</u>
	544,637	693,199
Currency of denomination		
Real	544,637	693,199
Term:		
Current	435,022	433,315
Non-current	<u>109,615</u>	<u>259,884</u>
	544,637	693,199

17. Capital instruments

Details of the balance of “Capital instruments” are as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial liabilities at amortized cost	<u>948,685</u>	<u>892,897</u>
	948,685	892,897
Financial liabilities at amortized cost		
Subordinated CDB	-	529,128
Perpetual debt (**)	<u>948,685</u>	<u>363,769</u>
	948,685	892,897
Currency:		
USD	948,685	892,897
Term:		
Current	-	-
Non-current	<u>948,685</u>	<u>892,897</u>
	948,685	892,897

- (a) On June 4, 2021, CCB Brasil issued a Perpetual Bond in the amount of US\$ 100 million, bearing interest of 5.80% per year. The papers were privately issued in perpetuity in accordance with the provisions of article 17 of Resolution No. 4,192/13. The operation was authorized by the Central Bank of Brazil on September 28, 2021, comprising the capital of CCB Brasil and acquired by the CCB group itself.
- (b) Privately issued papers in 2015 with a ten-year term, to compose tier 2 capital, and acquired by the CCB group itself, are fully composing tier 2 capital. As of December 2020, the annual and gradual reduction began of 20% for the approximation to the maturity date, as provided for in article 27 of Resolution No. 4,192/13. In September 2021, this paper was settled in advance and replaced by a Perpetual Bond (item a) which ensured continuity in funding levels as it was classified at capital level I, thus allowing Management a better perspective of planning and business continuity.
- (c) As provided for in current regulations, as a result of the high balance of accumulated losses incurred in previous years, the Bank did not set up a provision for payment of interest for the year 2021, arising from the perpetual debts issued.
- (d) In November 2020, the Management of CCB Brasil obtained a full refund of the amounts paid in interest for the periods of 2017, 2018 and 2019 in the amount of R\$89,870, equivalent to US\$16,800, Other operating income (expenses) group (note 29). Additionally, as a result of the loss incurred in the year ended December 31, 2020, the Bank did not pay interest for that period in the amount of R\$13,783.

18. Domestic borrowings

The breakdown of the item "Liabilities due to domestic loans" is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial liabilities at amortized cost	211,859	154,233
With:		
Ministry of Agriculture obligations	204,183	146,935
Other funds and programs	6,707	6,329
Ministry of Cities obligations	<u>969</u>	<u>969</u>
	211,859	154,233
Currency:		
Real	211,859	154,233
Term:		
Current	185,902	130,070
Non-current	<u>25,957</u>	<u>24,163</u>
	211,859	154,233

19. Foreign borrowings

The breakdown of the balances in the item "Foreign borrowings" is as follows:

	<u>2021</u>	<u>2020</u>
Classification:		
Financial liabilities at amortized cost	4,590,286	4,128,159
Other liabilities at fair value through profit or loss	-	30,562
	<u>4,590,286</u>	<u>4,158,721</u>
With:		
Financial liabilities at amortized cost:		
Import/export financing	4,590,286	4,128,159
Other liabilities at fair value through profit or loss		
Repass borrowings abroad	-	30,562
Currency:		
USD	4,590,286	4,158,721
Term:		
Current	4,590,286	4,153,026
Non-current	-	5,695
	<u>4,590,286</u>	<u>4,158,721</u>

20. Hedge accounting

Credit Transaction for Individuals

CCB Brasil has payroll loan portfolios for government employees and retirees, and vehicle financing operations. Credits are granted at fixed rates, exposing the Institution to market risk arising from fluctuations in the reference rate for interbank deposits (CDI), an index in which the Institution's funding cost and risk management are controlled. Thus, to hedge the risk of the rate pegged to the CDI fluctuations, as of January 2017, the Bank's treasury acquires DI futures in a ratio of quantities vs. maturities that offset the effect of adjustment to market value hedge object, and the effects of this fair value hedge structure are recorded exclusively in the consolidated financial statements.

2021	Hedged object		Value of Ineffectiveness	Hedge instrument	
	Curve value	Fair value		Amount Nominal	Change in the amount recognized in income
Interest rate risk	Assets	Assets			
Loan transaction hedge	900,521	862,554	106	1,111,307	(38,073)

2020	Hedged object		Value of Ineffectiveness	Hedge instrument	
	Curve value	Fair value		Amount Nominal	Change in the amount recognized in income
Interest rate risk	Assets	Assets			
Loan transaction hedge	1,379,522	1,454,742	10,036	1,555,731	65,184

21. Provisions

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 Conglomerate is party to civil lawsuits evaluated as having a probable risk, which have been fully accrued and amount to R\$ 202,795 (R\$ 200,183 in 2020). In general, the provisions are the result of contract revisions and indemnities for material damages and pain and suffering, mostly under the Special Civil Court.

Labor lawsuits

The Conglomerate is party to labor lawsuits evaluated as having a probable risk, which have been fully accrued and amount to R\$ 113,738 (R\$ 118,419 in 2020). Provisions 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.

Tax and social security proceedings

COFINS x Law 9718/98 – amount involved R\$ 576,985 (R\$ 565,915 in 2020): 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 placed in a judicial deposit in the amount of R\$ 32,791 (R\$ 31,998 in 2020).

PIS x Law 9718/98 – amount involved R\$ 91,630 (R\$ 89,876 in 2020): 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 placed in a judicial deposit in the amount of R\$ 111,708 (R\$ 108,728 in 2020).

PDD/94 – amount involved R\$ 27,296 (R\$ 26,769 in 2020): 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 Central Bank of Brazil, 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 involved was placed in a judicial deposit.

INSS – Profit Sharing of Directors – amount involved R\$ 61,178 (R\$ 59,182 in 2020): 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 8,812/91. The amount involved was placed in an judicial deposit.

Description	2020	Addition	Reversal	Monetary Update	Payment	2021
Civil (*)	200,183	13,712	(5,888)	18,969	(24,181)	202,795
Labor	118,419	3,644	(1,566)	16,870	(23,629)	113,738
Surety (**)	25,136	-	-	797	-	25,933
Subtotal	343,738	17,356	(7,454)	36,636	(47,810)	342,466
Tax and social security	2020	Addition	Reversal	Monetary Update	Payment	2021
PIS - Expansion of Calculation Basis - Law 9718/98	89,876	-	-	1,754	-	91,630
Inc. tax and soc. contr. (IRPJ/CSLL) PDD 1994	26,769	-	-	527	-	27,296
COFINS - Expansion of Calculation Basis - Law 9718/98	565,915	-	-	11,070	-	576,985
INSS Administrators - Years from 2009 to 2011	59,182	-	-	1,996	-	61,178
Others	1,315	-	-	76	-	1,391
Subtotal	743,057	-	-	15,423	-	758,480
Total	1,086,795	17,356	(7,454)	52,059	(47,810)	1,100,946

In the case of the above-described contingencies, CCB Brasil made a judicial deposit of R\$ 419,269, of which R\$ 98,857 for civil lawsuits, R\$ 16,687 for labor lawsuits and R\$ 303,725 for tax lawsuits.

	<u>2021</u>	<u>2020</u>
Term:		
Non-current	1,100,946	1,086,795

In August 2021, the Bank adhered to the tax transaction promoted by Public Notice No. 11-2021, related to the tax assessment notice drawn up aiming at the collection of social security contribution for the base period of 2012, in the amount of R\$ 10,939, which was being discussed at the administrative. Thus, in accordance with the terms of this agreement, the Bank will pay the amount of R\$ 15,321 in seven consecutive installments, of which R\$ 5,742 as principal recorded in personnel expenses and R\$ 9,579 referring to interest and fine, recorded

in other operating expenses. In 2020, the discussion related to this tax assessment was classified as possible and there was no judicial deposit recorded in the Bank's assets.

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. Hence, 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\$ 23,869 (R\$ 24,085 in 2020): 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 involved was placed in a judicial deposit.

Withholding income tax on interest remittances to foreign countries - amount involved, R\$ 14,520 (R\$ 14,440 in 2020): claims to offset the unduly withheld amounts of withholding income tax on remittances of interest to foreign countries, against the same corporate income tax, as allowed by article 39 of Law 9250/96, and excluding restrictions contained in Circular Letters 2,269/92 and 2,372/93 and Communication 2,747/92, which placed a condition that the zero income tax rate requires observance of minimum amortization periods, considering that condition as a clear violation of legal principles. The amount involved was placed in a judicial deposit.

IRPJ / 2008 – amount involved R\$ 40,556 (R\$ 20,461 in 2020): 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 13043/2014) 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 R\$ 40,754 (R\$ 68,248 in 2020): pleads cancellation of alleged INSS debt for the base periods of 2006 to 2008 and 2012, 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 8,812/91. Part of the amount involved was placed in a judicial deposit in the amount of R\$ 39,823 (R\$ 39,425 in 2020).

IRPJ/CSLL – amount involved R\$ 168,154 (R\$ 168,154 in 2020): 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.

Tax on financial transactions (IOF) and Withholding income tax (IRRF) - amount involved R\$ 1,527 (R\$ 1,515 in 2020): 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.

Tax on financial transactions (IOF) on credit granting – amount involved R\$ 2,657 (R\$ 2,627 in 2020): 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.

Unratified offsetting – amount involved R\$ 4,220 (R\$ 4,918 in 2020): 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\$ 24,359 (R\$ 27,705 in 2020). 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 likely sum of indemnities for these lawsuits is R\$ 421,596 (R\$ 272,098 in 2020). In general the contingencies are the result of contract revisions and indemnities for material damages and pain and suffering, mostly under the Special Civil Court.

22. Current income tax

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

Total charges for the fiscal year may be reconcile with book profits as follows:

	2021		2020	
	Income tax	Social contribution	Income tax	Social contribution
Income (loss) before income tax	(42,666)	(42,666)	(201,179)	(201,179)
Calculation basis	(42,666)	(42,666)	(201,179)	(201,179)
Temporary additions	268,245	268,245	910,532	910,728
Permanent additions	495,806	495,806	567,473	567,473
Exclusions	(843,118)	(835,929)	(1,242,739)	(1,235,747)
Taxable income and calculation basis of income tax and social contribution on net income	(121,733)	(114,544)	34,087	41,275
(+) Negative taxable result of consolidated companies	635	635	7,852	1,631
(-) Offsetting of tax loss / negative calculation basis of social contribution	1,185	3,283	(12,582)	(12,872)
Taxable Income and CSLL calculation basis	(119,913)	(110,626)	29,357	30,034
Charges at the rates of 15% for income tax and 20% for social contribution	479	1,487	8,337	7,295
10% IR Surtax	245	-	2,872	-
Current taxes	724	1,487	11,209	7,295
Reconciliation of Income (loss)				
Current taxes	724	1,487	11,209	7,295
Current taxes – 2019 adjustment	-	-	1,157	(316)
Income tax and deferred CSLL	(11,002)	(8,172)	10,495	(18,460)
(=) Provision for income and social contribution taxes	(10,278)	(16,685)	22,861	(11,481)
Formation of tax credits (on temporary additions)	(85,254)	(75,397)	(236,387)	(187,397)
Formation of tax credits (on tax loss carryforwards)	-	-	(1,589)	(8,228)
Write-off of tax credits	21,309	17,048	216,941	177,240
Realization of tax credit (on reversal of temporary additions)	91,236	67,774	200,539	153,551
Realization of tax credit (on offset of tax loss and negative basis of social contribution on net income)	814	906	15,640	5,075
(=) Net effect of tax credit	28,105	10,331	195,144	140,241
Total	17,827	3,646	218,005	128,760
(Revenue)/Expense from income tax and social contribution		21,473		346,765

b) Effective tax rate calculation

Effective tax rates are as follows:

	2021	2020
Income (loss) before taxes	(42,666)	(201,179)
Current income tax (Note 22a)	(21,473)	(346,765)
Effective rate	50.33%	172.37%

The effective tax rate differs from the current rate applied to the calculation of income tax, as per additions and exclusions presented below:

	2021	Rate
Results before income tax	(42,666)	
Income tax at current rates	19,200	45%
Additions and exclusions in tax calculation:		
Equity income (loss)	40,851	
Permanent additions and exclusions	(97,653)	
Other non-deductible permanent additions	16,129	
Income tax for the year	(21,473)	50.33%
	2020	Rate
Results before income tax	(201,179)	
Income tax at current rates	90,531	45%
Additions and exclusions in tax calculation:		
Write-off of tax credit - Unexpected realization	(394,181)	
Equity income (loss)	259,562	
Permanent additions and exclusions	(463,684)	
Other non-deductible permanent additions	161,007	
Income tax for the year	(346,765)	172%

c) Deferred taxes

Balances of "Deferred taxes" Assets/ (Liabilities) is as follows:

	2021	2020
Tax credit	764,368	805,291
Deferred liabilities		
Income and social contribution taxes on MTM positive adjustment	(14,807)	(37,689)
Other temporary differences	(39,504)	(37,952)
Income tax on excess depreciation	(6,525)	(4,780)
	(60,836)	(80,421)
Total deferred taxes	703,532	724,870

The changes in the balances of the items “Deferred tax assets” and “Deferred tax liabilities” are:

	Opening balance in 2020	Change in shareholders' equity	Realization	Additions	Write-offs	Closing balance in 2021
Deferred tax assets	805,291	(2,487)	(160,730)	160,651	(38,357)	764,368
Impairment losses of financial assets	187,950	-	(128,061)	62,445	-	122,334
Provisions	612,824	(2,487)	(30,949)	98,206	(38,357)	639,237
Tax loss	3,066	-	(814)	-	-	2,252
Negative basis CSLL	1,451	-	(906)	-	-	545
Deferred tax liabilities	(80,421)	-	(20,375)	39,960	-	(60,836)
Inflation adjustment on judicial deposits	(37,954)	-	(1,550)	-	-	(39,504)
Hedge accounting	(33,849)	-	-	33,849	-	-
Fair value through other comprehensive income	4,018	-	(18,825)	-	-	(14,807)
Temporary differences	(12,636)	-	-	6,111	-	(6,525)
Total	724,870	(2,487)	(181,105)	200,611	(38,357)	703,532

	Opening balance in 2019	Realization	Additions	Write-offs	Closing balance in 2020
Deferred tax assets	1,140,676	(374,805)	433,601	(394,181)	805,291
Impairment losses of financial assets	216,611	(211,313)	182,652	-	187,950
Provisions	571,823	(142,777)	241,132	(57,354)	612,824
Tax loss	202,195	(15,640)	1,589	(185,078)	3,066
Negative basis CSLL	150,047	(5,075)	8,228	(151,749)	1,451
Deferred tax liabilities	(88,528)	(6,662)	14,769	-	(80,421)
Inflation adjustment on judicial deposits	(34,624)	(3,330)	-	-	(37,954)
Hedge accounting	(46,099)	-	12,250	-	(33,849)
Fair value through other comprehensive income	7,350	(3,332)	-	-	4,018
Temporary differences	(15,155)	-	2,519	-	(12,636)
Total	1,052,148	(381,467)	448,370	(394,181)	724,870

d) Presumed credits

In view of high inventory of temporary differences deriving from credit losses incurred beginning as of 2014, the Bank chose to determine Presumed 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 12,838/13, Federal Revenue Service may verify accuracy of presumed 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 2021, the Bank recovered R\$ 912 (R\$ 318 in 2020), resulting from loan operations that are part of the calculation basis for presumed credit, whose deferred taxes, in the amount of R\$ 411 (R\$ 143 in 2020) were recorded in deferred tax, since such amounts will be taxed when the credit is reimbursed by the National Treasury.

Management understands that, due to macroeconomic scenario and expected generation of future taxable income by CCB Brasil, Presumed Credit is the best alternative to reduce the time for realization of temporary differences deriving from allowances for doubtful accounts.

	<u>2021</u>	<u>2020</u>
Presumed credit formed	380,662	380,662
Presumed tax liabilities	<u>(82,693)</u>	<u>(82,282)</u>
Total presumed credit	297,969	298,380

e) Tax credit not recorded in assets

Management, due to the history of tax losses in recent years as well as uncertainties related to long-term projections, chose not to record a portion of tax credits in its assets, according to the practices established by IFRS.

On December 31, 2021, the Consolidated had non-activated tax credits derived from income tax loss and negative basis of social contribution in the total amount of R\$ 1,053,855 (R\$ 1,110,817 in 2020), next to tax credits from temporary differences in the amount of R\$ 181,933 (R\$ 123,799 in 2020), for which there is no expectation of realization according to management analyses.

23. Other liabilities

The breakdown of the balance of "Other liabilities" is as follows:

	<u>2021</u>	<u>2020</u>
Properties payable – Rental	55,974	102,011
Sundry creditors - domestic	37,637	44,080
Bonuses and profit sharing payable	23,239	25,869
Personnel expenses	12,490	16,385
Commissions on deferred securities	11,403	10,494
Other administrative expenses	9,613	10,630
Other payments	3,735	4,150
Operations payable with credit card	229	419
Other	<u>3,060</u>	<u>5,829</u>
	157,380	219,867
Term:		
Current	140,719	200,501
Non-current	<u>16,661</u>	<u>19,366</u>
	157,380	219,867

24. Shareholders' equity

a) Capital

CCB Brasil's shareholder structure is as follows:

Shareholder	2021			2020		
	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
Total shares	297,223,908	168,407,558	465,631,466	297,223,908	168,407,558	465,631,466
Total in reais (R\$)	1,887,438	1,069,426	2,956,864	1,887,438	1,069,426	2,956,864

b) Treasury shares

The number of treasury shares on December 31, 2021 corresponds to 6,398,518 (6,398,518 in 2020) preferred shares in the amount of R\$ 55,105 (R\$ 55,105 in 2020).

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 year, in accordance with the applicable corporate legislation.

d) Reserves

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

25. Guarantees provided

CCB Brasil offers many guarantees for their clients to improve their credit position and become competitive. The following table shows all the guarantees as of December 31, 2021.

	<u>2021</u>	<u>2020</u>
Guarantees or sureties in tax lawsuits and proceedings	736,013	747,482
Sureties - payments	420,857	435,323
Performance sureties	87,163	28,188
Bank guarantees	39,383	42,400
Other sureties	8,728	12,116
Total	1,292,144	1,265,509
 Term:		
Non-current	<u>1,292,144</u>	<u>1,265,509</u>
	1,292,144	1,265,509

26. Interest revenues and expenses, alike and net foreign exchange differences

a) Interest revenues and expenses and alike

Interest and similar in the consolidated statement of income (loss) are comprised of interest accrued in the year on all financial assets with implicit or explicit return, calculated using the effective interest method, regardless of the fair value measurement and of the errors in results due to the accounting of hedge. Interest is recognized for their gross amount, without the deduction of tax withheld at source.

Expenses from interest and similar in the consolidated statement of income (loss) comprise interest accrued in the year on all financial liabilities with implicit or explicit returns, including compensation in cash, calculated using the effective interest method, regardless of the measurement of fair value.

	<u>2021</u>	<u>2020</u>
Interest revenues and alike	<u>961,243</u>	<u>953,133</u>
Loans and advances to financial institutions	61,588	23,075
Loans and advances to clients	712,931	796,729
Financial assets at amortized cost	4,409	2,586
Financial assets at fair value through other comprehensive income	182,315	130,743
Interest income and alike	<u>(493,315)</u>	<u>(467,309)</u>
Deposits from financial institutions		
- Interbank deposits	(4,774)	(9,756)
- Money market funding	(153,308)	(107,242)
Deposits from clients		
- Time	(233,221)	(134,415)
Securities issued	(28,837)	(51,195)
Domestic borrowings	(31,857)	(48,464)
Foreign borrowings	(29,257)	(102,579)
Liability interest expenses - Rental	(12,061)	(13,658)
Net interest revenue	<u>467,928</u>	<u>485,824</u>

b) Net exchange-rate change

The foreign exchange differences basically show the differences that arise in the conversion of monetary items in foreign currency into the Company’s functional currency and do not consider the exchange hedge contracted by the Bank through derivative financial instruments, whose impacts are presented in “Gains (Losses) with financial assets and liabilities (net)”

	<u>2021</u>	<u>2020</u>
Net exchange-rate change	<u>2,328</u>	<u>53,010</u>
Loans	183,247	1,238,312
Foreign exchange securities, net	27,746	(570,267)
Exchange transactions	119,786	481,197
Loans, assignments and onlendings	(328,371)	(1,096,070)
Other	(80)	(162)

27. Gains from financial assets and liabilities (Net)

Gains (losses) from financial assets and liabilities are composed of the amounts of adjustments from the evaluation of financial instruments, except for those attributed to interest accrued as results after the application of the effective interest method and provisions, and of gains (or losses) from the sale or purchase of financial instruments.

The breakdown of the balance of this line, by type of instrument, is shown below:

	<u>2021</u>	<u>2020</u>
Gains (losses) with:		
Financial assets measured at fair value through profit or loss	6,660	(5,616)
Other assets at fair value through profit or loss	(113,155)	(27,203)
Other liabilities at fair value through profit or loss	709	(30,939)
Derivatives	<u>(2,536)</u>	<u>(27,528)</u>
Total	(108,322)	(91,286)

28. Fee and commission revenue

The "Fee and commission revenue" line comprises all fees and commissions accumulated on behalf of the Bank in the year, except for those that make up the effective interest rate on financial instruments.

The breakdown of the balance related to this line is shown below:

	<u>2021</u>	<u>2020</u>
Income from guarantees	37,608	44,305
Income from bank fees – Legal entity	4,602	5,990
Income from other services	2,657	5,830
Income from bank fees – Individual	<u>8</u>	<u>10</u>
	44,875	56,135

29. Other operating revenues (expenses)

In this line of the consolidated statement of income (loss) are:

	<u>2021</u>	<u>2020</u>
Other operating revenues		
Recovery of charges and expenses	12,769	14,190
Income for the acquisition of receivables	11,496	13,856
Monetary update of judicial deposits	8,511	7,867
Income from financed sales of non-operating assets	2,586	3,395
Repayment of perpetual debt (Note 17)	-	89,870
Other operating revenues	<u>8,771</u>	<u>37,921</u>
Total other operating revenues	44,133	167,099
Other operating expenses		
Civil provisions	(26,793)	19,465
Labor provisions	(18,948)	(40,216)
Commission on collection	(18,510)	(30,307)
Remuneration and bonus program	(15,448)	(15,035)
Tax provisions	(15,423)	(96,328)
Operating Provisions	(8,590)	-
Dismissed expenses	(7,913)	(3,638)
Correction of taxes and contributions	(5,606)	(4)
Sureties provided	(797)	(12,035)
Provision - Ministry of Cities	-	(4,337)
Other operating expenses	<u>(13,064)</u>	<u>(4,375)</u>
Total other operating expenses	(131,092)	(186,810)
Net balance of other operating revenues (expenses)	<u>(86,959)</u>	<u>(19,711)</u>

30. Personnel expenses

The breakdown of “Personnel Expenses” caption is shown below:

	<u>2021</u>	<u>2020</u>
Salaries	(97,289)	(91,901)
Social charges	(35,358)	(32,735)
Directors' fees	(20,644)	(13,633)
Benefits	(17,406)	(18,900)
Other	<u>(2,318)</u>	<u>(2,038)</u>
	(173,015)	(159,207)

31. Other administrative expenses

The breakdown of the balance of this line is as follows:

	<u>2021</u>	<u>2020</u>
Third-party services	(28,630)	(29,414)
Technology and systems	(17,433)	(15,386)
Other administrative expenses	(12,465)	(9,524)
Expenses of the financial system	(8,490)	(7,841)
Real estate property, facilities and materials	(4,110)	(3,662)
Expenses with lawsuits	(3,619)	(5,847)
Communications	(1,621)	(1,720)
Advertising	(1,247)	(1,213)
Insurance premiums	(1,114)	(2,443)
Transportation system	(249)	(627)
Reimbursement and travel expenses	(30)	(227)
	<u>(79,008)</u>	<u>(77,904)</u>

32. Tax expenses

The breakdown of the balance of this line is as follows:

	<u>2021</u>	<u>2020</u>
COFINS contribution expense	(20,470)	(17,535)
Others tax expenses	(4,026)	(3,658)
PIS/PASEP contribution expenses	(3,326)	(2,849)
Expenses of tax on services of any kind	<u>(2,881)</u>	<u>(3,479)</u>
Total	(30,703)	(27,521)

33. Gains (losses) with other assets (net)

Basically, it refers to results obtained from the sale of own assets and provisions for adjustment to the realizable value of assets or other non-operating assets.

	<u>2021</u>	<u>2020</u>
Income from the sale of assets	29,893	4,053
Provision for impairment of other assets	(10,077)	(19,918)
Other	<u>588</u>	<u>(450)</u>
	20,404	(16,315)

34. Other disclosures

a) Third-party securities held in custody

As of December 31, 2021 and 2020, the Bank held no third-party debt bonds or securities under its custody.

b) Cash and cash equivalents for the cash flow

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	348,220	168,559
Money market repurchase commitments (purchase and sale commitments)	1,499,994	733,997
Investments in foreign currency	<u>-</u>	<u>148,362</u>
	1,848,214	1,050,918

d) Insurance

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

35. Operating segments

According to the international accounting standards, an operating segment is a component of an entity:

- (a) That operates activities which may generate revenues and incur expenses (including revenues and expenses related operations with other components of the same entity).
- (b) Whose operating results are regularly reviewed by the person in charge of making the entity's operating decisions related to the allocation of funds to the segment and the evaluation of its performance.
- (c) For which the individual financial information is available.

The Bank has identified, based on these instructions, the following business segments as being its operating segments:

- Wholesale
- Retail

The Bank maintains as main strategic focus the operations in the Wholesale segment. This segment basically includes the concession of loans and receivables with guarantee of receivables, and the Working Capital is the most profitable product of this segment. A significant portion of the wholesale portfolio is represented by short-term loans that provide higher liquidity and greater risk control to the Bank. Additionally, the Bank participates actively in the foreign exchange market, whose funding is carried out with international banks.

The Retail segment includes payroll loans and receivables for public sector employees and vehicle financing for individuals.

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

The statements of income and other significant data are listed as follows.

	Wholesale	Retail	2021	Wholesale	Retail	2020
Interest revenues and alike	835,730	125,513	961,243	597,976	355,157	953,133
Interest expenses and alike	(428,611)	(64,704)	(493,315)	(385,910)	(81,399)	(467,309)
Net income (loss) from interest and alike	407,119	60,809	467,928	212,066	273,758	485,824
Foreign exchange differences (net)	2,328	-	2,328	53,010	-	53,010
Gains (losses) with financial assets and liabilities (net)	(164,838)	56,516	(108,322)	(28,649)	(62,637)	(91,286)
NET INTEREST REVENUE	244,609	117,325	361,934	236,427	211,121	447,548
Equity in investments	(530)	11	(519)	(207)	(23)	(230)
Fee and commission revenue	44,824	51	44,875	56,086	49	56,135
Other operating revenues (expenses)	(89,912)	2,953	(86,959)	(23,380)	3,669	(19,711)
TOTAL REVENUES	198,991	120,340	319,331	268,926	214,816	483,742
Personnel expenses	(159,727)	(13,288)	(173,015)	(144,403)	(14,804)	(159,207)
Other administrative expenses	(61,121)	(17,887)	(79,008)	(51,810)	(26,094)	(77,904)
Tax expenses	(21,355)	(9,348)	(30,703)	(11,615)	(15,906)	(27,521)
Depreciation and amortization	(18,513)	(657)	(19,170)	(124,170)	(712)	(124,882)
Impairment losses of financial assets	(10,918)	(69,587)	(80,505)	(94,524)	(184,568)	(279,092)
Gains (losses) with other assets (net)	18,392	2,012	20,404	(14,272)	(2,043)	(16,315)
LOSS BEFORE TAX	(54,251)	11,585	(42,666)	(171,868)	(29,311)	(201,179)
Current and deferred income tax and social contribution	20,295	(41,768)	(21,473)	(443,092)	96,327	(346,765)
NET LOSS FOR THE YEAR	(33,956)	(30,183)	(64,139)	(614,960)	67,016	(547,944)
Total assets	16,430,831	1,253,532	17,684,363	15,867,371	2,010,772	17,878,143
Main asset line:						
Loans and advances to clients	9,029,282	1,185,958	10,215,240	8,259,677	2,097,763	10,357,440
Total liabilities	15,441,944	1,200,894	16,642,838	14,802,378	1,973,140	16,775,518
Main liability line:						
Deposits from financial institutions	4,111,403	1,166,310	5,277,713	3,767,287	1,935,107	5,702,394

The Bank has a branch in the Cayman Islands, whose total assets are R\$ 3,742,736 (R\$ 3,925,792 in 2020) and shareholders' equity in the amount of R\$ 1,327,743 (R\$ 1,174,682 in 2020).

36. Related party transactions

CCB Brasil's related parties should include parties with joint control over the entity, joint ventures in which the entity is an investor and post-employment benefit plans to benefit workers of an entity or any other entity qualified as a related party to this entity.

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

The Bank's balances related to transactions with direct and indirect subsidiaries, related companies and key management personnel are shown below:

	Assets / (liabilities)		Revenues / (expenses)	
	2021	2020	2021	2020
Cash and cash equivalents in foreign currencies	4,924	30,418	-	-
China Construction Bank Corporation (c)	4,924	30,418	-	-
Investment fund quotas	91,583	83,674	4,409	2,586
FIDC BRASILFactors (a)	91,583	83,674	4,409	2,586
Demand deposits	(1,852)	(413)	-	-
BRASILFactors (e)	(1)	(1)	-	-
CCB Brazil Holding Ltda. (d)	(202)	(107)	-	-
Key management personnel (b)	(1,649)	(305)	-	-
Time deposits	(109,268)	(89,878)	(3,311)	(4,881)
BRASILFactors (e)	(609)	(4,543)	(52)	(64)
FIDC BRASILFactors (a)	(30,875)	(8,180)	(598)	(807)
CCB Brazil Financial Holding Ltda. (d)	(77,761)	(77,011)	(2,649)	(4,002)
Key management personnel (b)	(23)	(144)	(12)	(8)
LCA	(11,371)	(7,007)	(414)	(138)
Key management personnel (b)	(11,371)	(7,007)	(414)	(138)
LCI	-	-	-	(21)
Key management personnel (b)	-	-	-	(21)
NDF	996	1,851	49	3,830
BRASILFactors (e)	996	1,851	49	3,830
Borrowings	(3,631,076)	(3,592,447)	(335,578)	(98,625)
China Construction Bank Corporation (c)	(3,631,076)	(3,592,447)	(335,578)	(98,625)

- (a) Indirect associated companies;
- (b) Key management personnel;
- (c) Indirect parent company headquartered overseas;
- (d) Direct parent company;
- (e) Joint venture.

Related party transactions due dates and rates:

LCA (Agribusiness Credit Bills) operations were carried out with average rates of 100.43% of the CDI (101.60% in 2020) and with final maturity up to 02 years (up to 02 years in 2020). LCI (Real Estate Credit Bills) operations were carried out with rates of 103.65% of the CDI (96.06% in 2020 with final maturity up to 01 year). Time deposits are remunerated at the average rate of 97.02% of CDI (82.90 of CDI in 2020), directly related to the invested amount, with final maturity in up to 02 years (up to 2 years in 2020). Borrowings were carried out at average rates of 5.74% p.a. (1.76% p.a. in 2020) and foreign exchange-rate change with final maturity up to 06 years (up to 06 years in 2020).

Remuneration of key management personnel

At the annual shareholders' meeting the maximum remuneration for Administrators, members of the Board of Directors, Executive Board and Audit Committee is established, and a decision is made ceiling regarding Directors' fees for each year, in compliance with limits of the CMN Resolution 3,921/10.

During the years 2021 and 2020, the Board of Directors did not approve payments for profit sharing, in view of accumulated losses presented in the group's shareholder' equity .

i) Short-term benefits

Remuneration of the Board of Directors, Executive Board and of the Audit Committee of CCB Brasil:

	<u>2021</u>	<u>2020</u>
Fixed remuneration	20,644	13,633
Other	<u>662</u>	<u>1,047</u>
Total	21,306	14,680

ii) Long-term benefits

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

37. Risk management

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 centralized the management of Socio-environmental, Market, Credit, Liquidity, Operational and Capital Management risks, to enhance the efficiency of its controls. This results in a global view of the exposures to which the Bank is subject, due to the very nature of its activities, which makes it possible to improve and streamline strategic decisions, to ensure compliance with the policies established for the area, and to improve the identification of risks that may affect this business strategy and the achievement of goals. Meets CMN Resolution 4557/17. The Risk Management Report can be found on the website, in fulfillment with BCB (Central Bank of Brazil) Resolution 54/20, which sets out the disclosure of information regarding risk management, as well as the Risk Management Structure report, which sets out the framework and responsibilities, and its context within CCB Brasil.

The Capital Management Framework is implemented, in compliance with CMN Resolution 4557/17. 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 4557/17, 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.

CMN Resolution 4327/14 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 4557/17.

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 Top 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, operational, 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 Chief Risk Officer (CRO) as the one responsible for the Risk Framework vis-à-vis 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 as 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.

The monitoring of Market Risk at CCB Brasil is performed by some main types of measures: stale positions, foreign exchange exposure level control, sensitivities, stress tests, Value-at-risk (including adherence tests and validations), Economic Value of Equity (EVE) and Net Interest Income (NII).

All risk metrics are continuously evaluated 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.

ESG – Environmental, Social and Governance

The Bank constantly improves the methodologies and tools used to assess social and environmental variables in its credit granting process to mitigate possible risks associated with payment capacity and investment default. Therefore, it has provided for policies and instruments that allow the suspension of the operation, anticipation of the expiration of contracts and the application of limiting penalties.

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.

Maximum exposure to credit risk:

Description	2021			2020		
	Brazil	Foreign	Total	Brazil	Foreign	Total
Availability of reserves in Central Bank of Brazil	4,911	347,946	352,857	11,280	168,393	179,673
Derivative assets	114,668	-	114,668	103,910	-	103,910
Financial assets at amortized cost	91,583	-	91,583	83,674	-	83,674
Financial assets at fair value through other comprehensive income	3,964,770	-	3,964,770	4,800,949	-	4,800,949
Loans and advances to financial institutions	1,927,057	-	1,927,057	1,170,427	148,362	1,318,789
Loans and advances to clients	6,694,004	3,521,236	10,215,240	6,836,204	3,521,236	10,357,440
Other loans and receivables	11,094	4,313	15,406	21,461	4,936	26,397
Other financial assets	47,391	-	47,391	56,722	-	56,722
Co-obligations and risks in guarantees provided:						
Credits opened for exports	117,142	-	117,142	91,037	-	91,037
Guarantees	1,269,884	22,260	1,292,144	1,240,232	25,316	1,265,548
Export Billing	2,803,708	33,239	2,836,947	2,825,058	545,077	3,370,135
Total	17,046,211	3,928,994	20,975,204	17,240,954	4,413,320	21,654,274

Expected credit loss

The Bank assesses, on a prospective basis, the expected credit loss associated with financial assets measured at amortized cost or at fair value through other comprehensive income, with loan commitments and with financial guarantee agreements. The recognition of the provision for expected credit losses is made monthly in a contra entry to the Consolidated Statement of Income.

Regarding financial assets measured at fair value through other comprehensive income, the Bank recognizes the provision for losses in the Statement of Income of the IFRS balance sheet.

Significant judgments are required in adopting the accounting requirements for measuring the expected credit loss, such as:

- **Deadline for evaluating the expected credit loss:** the Bank considers the maximum contractual period over which it will be exposed to the financial instrument credit risk. However, assets without a fixed maturity have their expected life estimated based on the period of exposure to credit risk. Furthermore, all contractual terms are considered upon determining the expected life, including prepayment and rollover options.
- **Forward-looking information:** IFRS 9 requires a weighted and unbiased credit loss estimate that considers forecasts of future economic conditions. The Bank uses forward-looking macroeconomic information and public information with projections prepared internally to determine the impact of such estimates in determining the expected credit loss.
- **Loss scenarios weighted by probability:** the Bank uses weighted scenarios to determine the expected credit loss over an appropriate observation horizon.
- **Determination of criteria for a significant increase or decrease in credit risk:** in each period of the Consolidated Financial Statements, the Bank assesses whether the credit risk on a financial asset has increased significantly using relative and absolute triggers (indicators) by product and country.

These are considered financial assets with low credit risk and, thus, bonds of national and international governments remain in stage 1, according to a study carried out by the Bank.

Significant increase in credit risk: the Bank assesses several factors to determine a significant increase in credit risk, such as: the counterparty, type and characteristics of the product and the region in which it was contracted, considering at least the following objective criteria:

- Stage 1 to Stage 2: delay over 30 days;
- Stage 2 to Stage 3: delay over 90 days.

The approach of this evaluation in CCB Brasil considers account criteria pursuant to IFRS 9, which also adopts the measures:

- the occurrence of a significant increase in the credit risk of the operation in the period from the date of initial recognition to the date of calculation of the expected loss.
- the change in the risk pattern since initial recognition;
- the expected maturity of the financial instrument, and
- other reasonable and supportable information for which efforts to obtain it are pertinent.

The classification of contracts in stage 1 indicates that such assessments do not identify significant increases in risk between the recognition and reporting dates. The classification in stage 2 indicates that elements were found indicating a significant risk increase. Stage 3 comprises assets with objective evidence of default.

The Bank assesses whether credit risk has increased significantly on an individual or collective basis. For collective assessment purposes, financial assets are grouped based on shared credit risk characteristics, considering the type of instrument, credit risk ratings, the date of initial recognition, the remaining term, area, geographical location of the counterparty and other relevant factors.

Macroeconomic Scenarios: Such information involves inherent risks, market uncertainties and other factors that may produce other than expected results, including changes in market conditions and in economic policy, recessions or fluctuations in indicators that are different from the forecasts.

The concepts of IFRS 9 standard consider a financial reporting standard that mainly addresses the classification and impairment of financial assets, whose assumption for the recognition of expected loss is based on principles and not only on rules with different measurement methods, waiving the occurrence of actual delays and losses, thus anticipating them.

Thus, it considers the evaluation of the significant increase in the credit risk of the financial instrument, considering the following three major aspects:

- i) basic indicator, ii) quantitative factors, and iii) qualitative factors.

The basic indicator consists in the verification of the delay time of contractual payments. It is considered a significant increase in credit risk in a financial asset if contractual payments are overdue for more than 30 days, unless the institution has reasonable and supporting information without undue costs or efforts that these risks have not actually increased.

To assess risk changes, CCB Brasil uses the rating scales to define the quality of the portfolio based on the breakdown of the best ratings (lower risk) and to determine the “investment grade” or “non-investment grade” ranges as a starting measure for analysis.

In practice, the stages follow selective criteria that overlap, such as (i) management's decision (ii) delay time; (iii) significant risk increase; (iv) definitions of problematic credits, and (v) ratings.

The Probability of Default (PD) indicates the probability of loss for a certain time horizon (in the next 12 months, for exposures belonging to stage 1, or until the final contract expiration for exposures classified in stage 2 maturing in over a year, and provides a probabilistic estimate of a customer not fulfilling his/her obligations. The probabilities of default are associated with scales or rating levels that may vary. Thus, the comparison of PD's may indicate significant increases in the credit risk for the operations.

CCB Brasil adopted the practice of calculating the 12-month PD as an indicator of credit risk, which is a well-established practice within the local and international financial industry. International and domestic rating agencies generally represent the credit risk of a counterparty associating a probability of default for a fixed assessment horizon, and the 12-month horizon is commonly used for estimating occurrences of credit losses in corporate and retail loans.

PD lifetime is the estimated probability of default for the remaining validity period, or maturity of the operation, if it is over (or less than) one year. PD lifetime is used to calculate the expected credit loss of exposures classified in stage 2 after the forward looking adjustments described below.

The Loss Given Default (LGD) indicates the actual loss of the client. At the Bank, this is a data estimated by means of statistical modeling and considers the historical recovery behavior of loans written-off as losses in the retroactive period of five years in number of contracts by sufficiently significant type for the consistency of the statistical study, both for the Retail and the Corporate portfolio.

The Exposure at Default (EAD) can be defined as the gross amount of a debtor's default exposure, including principal and interest repayment under the contract, as well as the reasonable expectation of future payment of the underlying debt, represented by the cash flow of the operation.

Calculation of Impairment or Expected Credit Loss (ECL). At the Bank, the expected loss is calculated based on the following equation: $ECL = EAD \times PD \times LGD$.

Sensitivity analysis - ECL forward looking

We included the scenario-based macroeconomic analysis, because it presents a forward-looking view due to its wide range of possible scenarios. The purpose of estimating the expected credit losses does not mean estimating a worse or better scenario, but rather the calculation that the credit loss occurs within the realization of the most likely scenario. Understanding credit loss, by incorporating the probability that a scenario will occur, using the weighted probability (even if the latter is low) can help inform the likelihood of incurring losses.

The increased complexity of the ECL approach, as well as the longer time horizons on which credit losses are modeled, increases the effort required to estimate credit loss subsidies and the potential volatility thereof.

It is worth noting that the expected twelve-month credit losses used for regulatory purposes are usually based on the probability of default (PD) ‘through the cycle’ (i.e., the probability of default in cycle-neutral economic conditions). In turn, the PD used for IFRS 9 must be ‘point in time’ (i.e., the probability of default in current economic conditions) and do not contain any adjustments. This can cause some inaccuracy when we measure past loss and project it into the future. However, regulatory PDs can be a good starting point, knowing in advance that PD estimates will change as an entity moves through the economic cycle. In regulatory models, as the PD is calculated by the cycle, the estimates are less sensitive to changes in economic conditions. Therefore, regulatory PDs reflect long-term trends in PD behavior. Therefore, during a more recessive economic cycle, the Probabilities of Default under IFRS 9 will be greater than the regulatory Probabilities of Default. Moreover, when using the ‘through the cycle’ PD, responses over time may not vary significantly between the origination and reporting dates, as the PD reflects the average long-term default rate.

The scenario-based analysis incorporates forward-looking information using various macroeconomic scenarios. The table below reveals three scenarios and the expected credit loss estimate. When assessing the impact of portfolio credit losses against shocks on the main macroeconomic indicators (for example, unemployment and GDP), each scenario implies a different path for credit losses. These losses were aggregated by estimating the probability of each scenario occurring. Forward looking adjustments by economic variables were considered to ensure that the estimated credit loss meets the forward looking requirements.

CCB Brasil – Consolidated

IFRS 9 - Calculation of expected loss - 12/31/2021

Third-party	EAD	Optimistic	Neutral	Pessimistic
On balance	10,215,240	270,479	271,582	272,685

The forward looking adjustment is based on predictive information provided by the developed model, considering macroeconomic data, shock processes and scenarios in three confidence levels: i) negative or pessimistic bias (25%), ii) neutral bias (50%), and iii) positive or optimistic bias (25%), which are inputs to CCB Brasil’s ECL calculation system and characterize the neutral scenario. In turn, the pessimistic scenario considers that only the macroeconomic variables of the pessimistic scenario will be present. The optimistic scenario considers that only the variables of the optimistic scenario will be present.

Macroeconomic variables are widely disseminated in the financial market are used here, which best meets the variation and dynamics of default rates. The projections of these rates and their probability of occurrence are taken from the Market Focus report of the Central Bank of Brazil, as well as from specialized economists and advisory companies hired by the institution.

Market risk management

The Institution's Liquidity Risk management consists of measuring, assessing and controlling the bank's ability to honor 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 carried out for the next three years (following these models) demonstrate that the Institution has and will have sufficient funds to meet its obligations, and has a position with a wide margin of safety in the short term and long term.

CCB Brasil has a liquidity risk management department to identify, monitor and control events that may impact the bank's short- and long-term liquidity.

Liquidity risk management provides:

- I. Preparation of cash flow to assess and monitor short- and long-term liquidity;
- 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 to the Treasury Committee every six months, for corrective and preventive actions to be taken.

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

Undiscounted Future Flows

Financial assets	0-30 days	31-365 days	366-720 days	>720 days	Total
Cash and cash equivalents	348,220	-	-	-	348,220
Investments in Financial Institutions	1,500,515	3,743	-	-	1,504,257
Money market repurchase agreements - own portfolio	1,500,515	-	-	-	1,500,515
Interbank deposit investments	-	3,743	-	-	3,743
Securities	-	1,923,062	1,061,451	1,641,911	4,626,424
Government bonds	-	1,923,062	1,061,451	1,550,398	4,534,912
Fund's quotas	-	-	-	91,513	91,513

China Construction Bank (Brasil) Banco Múltiplo S/A
Notes to the consolidated financial statements as of December 31, 2021
(Amounts expressed in thousands of Reais, unless otherwise indicated)

Credit and lease operations	614,278	5,631,970	2,623,620	2,793,844	11,663,712
Domestic currency credits	220,781	1,602,974	1,321,241	1,173,202	4,318,198
Credits in foreign currency	339,527	3,082,823	850,311	574,014	4,846,675
Retail transactions	37,633	388,543	352,040	1,000,813	1,779,029
Rural credit	12,166	430,712	72,621	-	515,499
Leases	2,866	44,154	16,681	20,909	84,610
Credits 2,921	1,305	82,763	10,727	24,906	119,700
Total	2,463,013	7,558,774	3,685,071	4,435,755	18,142,613

Financial liabilities	0-30 days	31-365 days	366-720 days	>720 days	Total
Deposits	469,160	2,993,522	2,397,644	869,598	6,729,925
Demand deposits	135,334	-	-	-	135,334
Saving deposits	2,948	-	-	-	2,948
Time Deposits	330,879	2,939,136	2,397,644	869,598	6,537,257
Interbank deposits	-	54,386	-	-	54,386
Money market repurchase commitments	3,605,195	-	-	-	3,605,195
Government bonds	3,605,195	-	-	-	3,605,195
Borrowings and onlendings	782,508	3,901,556	18,362	-	4,702,425
Subordinated debts	-	390,635	-	558,050	948,685
Funding 2,921	765	97,263	7,970	9,621	115,618
Total	4,857,628	7,382,976	2,423,976	1,437,268	16,101,848
Liquidity gap	(2,394,616)	175,799	1,261,095	2,998,487	2,040,765

The foregoing information was prepared based on the nominal maturities of CCB Brasil's financial assets and liabilities. However, the Conglomerate has bonds and securities classified in the Financial Assets category at fair value through other comprehensive income, in the amount of R\$ 2,048,012 (R\$ 3,737,849 in 2020), maturing in a period greater than one year, which represent highly liquid investments in government bonds issued by Brazil's National Treasury. Additionally, part of the financial liabilities are loans made to the parent company in China, in the total amount of R\$ 3,631,076 (R\$ 3,592,447 in 2020), with a maturity of less than one year, which have been systematically renewed.

	2021		
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current assets	9,488,031	2,048,012	11,536,043
Current liabilities	(12,816,349)	3,631,076	(9,185,273)
Net balance	(3,328,318)	5,679,088	2,350,770

	2020		
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current assets	8,379,402	3,737,849	12,117,251
Current liabilities	(11,963,604)	3,592,447	(8,371,157)
Net balance	(3,584,202)	7,330,296	3,746,094

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 Risk and Asset and Liability Management Committee (ALCO), which assembles to define 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:

- (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 25% in risk variables, based on market conditions seen on December 31, 2021, 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 December 31, 2021, 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 25% in risk variables, based on market conditions seen on December 31, 2021, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

The scenarios adopted for December 31, 2021, and 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 decrease, the Brazilian stock exchange faces a downfall, and inflation tends to rise, 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% incr.	25% incr.	50% incr.
B3 S.A. - Brasil, Bolsa, Balcão	10% decr.	25% decr.	50% decr.
Inflation	10% incr.	25% incr.	50% incr.

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 2021			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(11,191)	(27,477)	(53,270)
Fixed Rate in reais	(15,520)	(37,173)	(69,427)
Inflation	(5)	(13)	(27)
Total loss	(26,716)	(64,663)	(122,724)

Trading Portfolio - Results for risk factors in 2021			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(130)	(356)	(817)
Fixed Rate in reais	(8,867)	(22,133)	(44,149)
Total loss	(8,997)	(22,489)	(44,966)

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.
- Shares and Indices – Comprises the shares and indices of stock exchanges, shares and options pegged to share indices.
- Inflation – Refers to all products that have price variations pegged to inflation coupon variations and inflation rates.

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 chart 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 Central Bank of Brazil in Circular 3,876/18 and 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.

Thus, 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 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

In the management of risk and capital sufficiency, CCB Brasil 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 Central Bank of Brazil, 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 4557/17, 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.

Among the measures adopted to face the crisis caused by the Covid-19 pandemic in 2020, and to provide greater stability for the Brazilian financial system, the Bacen launched a series of contingency actions, such as the reduction in the additional collection on mandatory deposits,

exemption from provisioning for renegotiated loan operations, the option of funding by Financial Institutions through time deposits with special “NDPGE” guarantees, among others.

In this sense, CMN Resolution 4,783/20 established the reduction in the rate of the capital conservation buffer (ACPC) from 2.5% to 1.25% for the period of one year, with a gradual review until March 2022 also aimed to improve the Institutions’ ability to leverage assets and loans.

BACEN Requirements	Valid in 2021	Valid in 2020
Core capital ratio	6.5%	5.75%
Tier I Capital ratio	8.0%	7.25%
Basel Ratio (total PR)	10.0%	9.25%

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-to-assets ratio.

The tables presented below show the main capital indicators calculated as of December 31, 2021 and 2020 and those established in the RAS Policy for 2021 - with review expected to occur in a year or any time when the circumstance requires.

It is noted that the capitalization and leverage indices comfortably meet all the minimum requirements, with space for asset growth in 2022.

In R\$ thousand	2021	2020
Capital – Level 1	2,051,929	1,422,085
- Core Capital	1,103,244	1,058,316
-Perpetual Bonds	948,685	363,769
Capital – Level 2	-	423,302
Reference Equity	2,051,929	1,845,387
-RWACpad	10,965,365	10,453,127
-RWAMpad	415,104	152,154
-RWAOpad	1,405,146	1,447,455
Total RWA	12,785,615	12,052,736
-	65,111	184,713
Ratios		
Main Capital	8.63%	8.78%
Level 1	16.05%	11.80%
Basel Ratio	16.05%	15.31%
IB to RWA + IRRBB	15.09%	12.85%

Art. 13, CMN Resolution 4193/13, 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 (art. 3, CMN Resolution 4193/13). At CCB Brasil, the limit for IRRBB is set in R\$ in the risk appetite statement and has represented on average 3 points in the capitalization indicator, as seen above.

* * *