# Audited Consolidated Financial Statements

# Banco ABC Brasil S.A.

December 31, 2022 and 2021
with Independent Auditor’s Report

**Banco ABC Brasil S.A.**

Consolidated Financial statements.

December 31, 2022 and 2021

Contents

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## Independent auditor's report on consolidated financial statements

To the Shareholders, Board of Directors and management of Banco ABC Brasil S.A.

## Opinion

We have audited the consolidated financial statements of Banco ABC Brasil S.A. (the "Bank"), which comprise the balance sheet as at December 31, 2022, and the related income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Banco ABC Brasil S.A. as at December 31, 2022, and its consolidated financial performance and respective cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) 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 relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled with the 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 opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the Banks`s financial statements.

Technological environment

The Bank’s operations are highly dependent on its technological structure and its systems, which are subject to frequent changes, have high level of integration with each other and with sources of information external to the Bank, in addition to processing a high volume of transactions. As a result, we understand that technological environment is a key audit matter.

*How our audit addressed this matter:*

In the course of our audit, we engaged our internal team specialists to assist us in assessing significant risks related to the technology environment, as well as in performing audit procedures to assess the design and operational effectiveness of general technology controls, for systems considered relevant in the context of the audit, with emphasis on change management and processes of granting, reviewing and revoking access to users. We also performed procedures to assess the effectiveness of automatic controls considered relevant, which support significant business processes and accounting records of operations. Finally, we performed tests of detail to assess the correct flow of information between systems, for the accounting routines considered relevant.

Based on the result of the audit procedures performed on the technology environment, which are consistent with the assessment of the Bank`s Management, we consider that the general technology controls on the relevant systems of the Bank and the accounting routines considered relevant operated in an acceptable manner, especially in the processing of accounting information considered relevant to the financial statements taken as a whole.

Loans and advance to customers measured at amortized cost

As presented in explanatory note 8, at December 31,2022, among the amount of loans and advance to customers measured at amortized cost, the Bank has a credit operation in the amount R$ 30.872.244 thousand. The provision for expected credit losses associated with credit risk for these credit operations, plus the provision for other operations with credit characteristics, is R$ 702.133 thousand. Due to the relevance to the financial statements taken as a whole, the subjectivities related to the Management`s judgment when assessing the credit risk of the Bank's clients, as well as the operational complexity of the process of recognition of interest income from credit operations, we consider the credit operations and the expected credit losses of the loans and advance`s portfolio of as one of the key audit matters.

*How our audit addressed this matter:*

In our audit, we considered the understanding of the process established by the Bank`s Management, as well the performance of tests of controls related to: (i) origin of transactions; (ii) analysis and approval of credit transactions considering the established levels; (iii) analysis of guarantees received; (iv) timely update of borrower's information; (v) recognition of revenue from interest on operations under ordinary conditions; (vi) suspension of revenue recognition on loan transactions past due for over 90 days; (vii) SPPI test for a sample of financial instruments recorded at amortized cost; (viii) analysis of account policies and comparison of management's pricing models in relation to requirements of IFRS 9; (ix) test of models for a sample, including process of approval and review of assumptions to estimate expected loss; and (x) review of financial statements disclosures to confirm compliance with requirements of IFRS 9.

Based on the results of our audit procedures performed on loan operations and provision for losses associated with credit risk, which is consistent with the Bank`s Management assessment, we considered that the criteria and assumptions adopted by the Bank`s Management, as well as the disclosures presented in the explanatory notes nº 8, are acceptable in the context of the financial statements taken as a whole.

## Other matters

*Disclosure of value added*

The diclosure of value added (SVA), preseneted in the explanatory note nº 26, for the year ended December 31, 2022, prepared under the responsibility of Bank management and presented as supplementary information for purposes of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), were submitted to audit procedures conducted together with the audit of consolidated financial statements. To form our opinion, we evaluated if these disclosures are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in accordance with the criteria defined in abovementioned technical pronouncement and are consistent in relation to the overall consolidated financial statements.

## Responsibilities of Board of Directors and those charged with governance for the consolidated financial statements

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

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

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

## 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 misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted in accordance with the 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:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

- Obtained 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 Bank’s and its subsidiaries’ internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Concluded on the appropriateness of the Board of Directors 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.

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

- Obtained 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 scope and timing of the planned audit procedures and significant audit findings, including 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, including applicable independence requirements, 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 determined 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, 2023.

ERNST & YOUNG
Auditores Independentes S.S. LTDA
CRC-2SP 034519/O

Rui Borges
Contador CRC-1SP207135/O

## Banco ABC Brasil S.A.

Consolidated balance sheets
December 31, 2022 and 2021
(In thousands of reais)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Cash and reserve with Central Bank of Brazil** | 5 | **329,879** | **731,091** |
| **Financial assets measured at fair value through profit or loss** | | **5,408,425** | **7,742,315** |
| Marketable securities | 7a | 3,111,310 | 5,061,964 |
| Derivatives | 7 a/b | 2,284,559 | 2,662,295 |
| Loans and advances to customers | | 12,556 | 18,056 |
| **Financial assets measured at fair value through other comprehensive income** | | **2,848,730** | **1,810,201** |
| Marketable securities | 7a | 2,848,730 | 1,810,201 |
| **Financial assets measured at amortized cost** | | **38,629,850** | **30,411,660** |
| Repurchase agreements | 6 | 4,584,273 | 1,475,377 |
| Deposits with private banks | 6 | 1,480,434 | 1,276,034 |
| Marketable securities | 8b | 2,395,032 | 2,282,278 |
| Loans and advances to customers | 8 | 30,170,111 | 25,377,971 |
| **Non-current assets available for sale** | | **157,415** | **157,038** |
| Assets not for own use | | 157,415 | 157,038 |
| **Other assets** | | **9,708,551** | **8,513,879** |
| Foreign exchange portfolio | 10 | 7,106,059 | 6,205,168 |
| Other | 11 | 1,598,286 | 1,227,744 |
| Taxes | 16 | 1,004,206 | 1,080,967 |
| **Property and equipment in use and intangible assets** | | **169,500** | **116,578** |
| **Total assets** | | **57,252,350** | **49,482,762** |

See accompanying notes.

## Banco ABC Brasil S.A.

Consolidated balance sheets
December 31, 2022 and 2021
(In thousands of reais)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Liabilities** | | | |
| **Financial liabilities measured at fair value through profit or loss** | | **2,282,429** | **2,358,834** |
| Funding - Transfers abroad | 12b | 328,146 | - |
| Derivatives | 7 a/b | 1,954,283 | 2,358,834 |
| **Derivatives used as fair value hedge** | 7 a/b | **3,910** | - |
| **Financial liabilities measured at amortized cost** | | **41,548,974** | **35,187,605** |
| **Funding** | 12 | **41,548,974** | **35,187,605** |
| Deposits | | 10,354,303 | 7,955,799 |
| Repurchase agreements | | 1,448,963 | 1,328,942 |
| Funds from acceptance and issue of securities | | 17,351,698 | 12,345,024 |
| Foreign borrowings | | 6,791,528 | 8,478,864 |
| Onlendings in Brazil - government agencies | | 2,033,465 | 1,567,890 |
| Funding - Transfers abroad | | 1,321,601 | 1,803,253 |
| Subordinated debt | | 2,247,416 | 1,707,833 |
| **Other liabilities** | | **8,180,530** | **7,222,647** |
| Foreign exchange portfolio | 10 | 7,129,718 | 6,139,859 |
| Interbranch accounts | | 100,200 | 77,966 |
| Taxes | 13/16 | 273,070 | 277,946 |
| Other | 14 | 677,542 | 726,876 |
| **Equity** | 23 | **5,236,507** | **4,713,676** |
| **Capital** | | 4,315,017 | 4,315,017 |
| Treasury stock | | (82,162) | (94,110) |
| Capital reserve | | 56,649 | 32,246 |
| Income reserve | | 945,384 | 463,828 |
| Other comprehensive income | | (398) | (4,500) |
| Non controlling shareholders interest | | 2,017 | 1,195 |
| **Total liabilities and equity** | | **57,252,350** | **49,482,762** |

See accompanying notes.

## Banco ABC Brasil S.A.

Consolidated income statements
Years ended December 31, 2022 and 2021
(In thousands of reais)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Interest income | | 5,082,213 | 2,840,113 |
| Interest expenses | | (3,549,633) | (1,912,274) |
| **Net interest income** | | **1,532,580** | **927,839** |
| Commissions and services | 19 | 401,864 | 345,439 |
| Net income from financial assets and liabilities | 20 | 396,328 | 111,979 |
| Income / (Loss) from foreign exchange operations and exchange variation | | (133,371) | 112,950 |
| Other operating income (expenses) | 21 | (157,821) | (108,271) |
| **Total commissions, services and other operating income (expenses)** | | **507,000** | **462,097** |
| **Operating income** | | **2,039,580** | **1,389,936** |
| Loss on receivables - Loans and advances to customers | 8 | (239,962) | (202,460) |
| Loss on receivables - Other financial instruments | 6/8 | 435 | 316 |
| Loss for contingent credit commitments | 9 | (3,953) | 3,558 |
| Recoveries on receivables | 8 | 11,061 | 21,669 |
| **Net provisions** | | **(232,419)** | **(176,917)** |
| **Total operating income after provisions** | | **1,807,161** | **1,213,019** |
| Payroll and social charges | | (655,464) | (447,223) |
| Business promotion | | (21,701) | (12,358) |
| Bussiness travels | | (9,790) | (2,523) |
| Communications | | (4,739) | (4,601) |
| Premises | | (8,775) | (7,752) |
| Depreciation and amortization | | (39,916) | (33,683) |
| Other expenses | 22 | (167,942) | (113,660) |
| **Total operating expenses** | | **(908,327)** | **(621,800)** |
| Income and social contribution tax expenses | 16 | (106,655) | (27,634) |
| Non controlling shareholders interest | | **(2,461)** | **(695)** |
| **Net income for the year** | | **789,718** | **562,890** |
| **Earnings per share - Basic in R$** | 23.c | 3.63 | 2.61 |
| **Earnings per share - Diluted in R$** | 23.c | 3.59 | 2.59 |

See accompanying notes.

## Banco ABC Brasil S.A.

Consolidated statements of comprehensive income
Years ended December 31, 2022 and 2021
(In thousands of reais)

| | 2022 | 2021 |
|---|---|---|
| **Net income for the year** | **789,718** | **562,890** |
| **Other revenues (expenses) recognized** | **4,102** | **(13,440)** |
| Financial assets measured at fair value through other comprehensive income - Adjustment to market value | 7,458 | (24,436) |
| Tax effetcs | (3,356) | 10,996 |
| **Total recognized revenues and expenses** | **793,820** | **549,450** |
| **Total of comprehensive income** | **793,820** | **549,450** |

See accompanying notes.

## Banco ABC Brasil S.A.

Consolidated statements of changes in equity
Years ended December 31, 2022 and 2021
(In thousands of reais)

| | Capital | Treasury stock | Capital reserve | Income reserve: Legal reserve | Income reserve: Dividend equalizatio | Income reserve: Share repurchas | Retained earnings | Other comprehensive income | Non controlling shareholders interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at December 31, 2020** | **2,594,681** | **(56,858)** | **38,596** | **229,147** | **1,457,901** | **55,000** | **-** | **8,940** | **-** | **4,327,407** |
| Net change in Financial assets measured at fair value in other comprehensive income | - | - | - | - | - | - | - | (13,440) | - | (13,440) |
| Foreign exchange gain (loss) on foreign investments | | | | | | | | | | - |
| Acquisition of treasury stock | - | (37,252) | - | - | - | - | - | - | - | (37,252) |
| Net income for the year | - | - | - | - | - | - | 562,195 | - | 695 | 562,890 |
| Capital raising | 1,720,336 | - | - | (226,897) | (1,412,867) | - | - | - | 500 | 81,072 |
| Interest on equity | - | - | - | - | - | - | (200,651) | - | - | (200,651) |
| Allocation - Legal reserve | - | - | - | 28,110 | - | - | (28,110) | - | - | - |
| Constitution of reserves - Management remuneration | - | - | (6,350) | - | - | - | - | - | - | (6,350) |
| Constitution of reserves | - | - | - | - | 333,434 | - | (333,434) | - | - | - |
| **Balances at December 31, 2021** | **4,315,017** | **(94,110)** | **32,246** | **30,360** | **378,468** | **55,000** | **-** | **(4,500)** | **1,195** | **4,713,676** |
| Net change in Financial assets measured at fair value in other comprehensive income | - | - | - | - | - | - | - | 4,102 | - | 4,102 |
| Acquisition / Distribution of treasury stock | - | 11,948 | - | - | - | - | - | - | - | 11,948 |
| Net income for the year | - | - | - | - | - | - | 789,718 | - | 2,461 | 792,179 |
| Interest on equity | - | - | - | - | - | - | (308,162) | - | - | (308,162) |
| Distributed dividends | - | - | - | - | - | - | - | - | (1,639) | (1,639) |
| Allocation - Legal reserve | - | - | - | 39,486 | - | - | (39,486) | - | - | - |
| Constitution of reserves - Management remuneration | - | - | 24,403 | - | - | - | - | - | - | 24,403 |
| Constitution of reserves | - | - | - | - | 442,070 | - | (442,070) | - | - | - |
| **Balances at December 31, 2022** | **4,315,017** | **(82,162)** | **56,649** | **69,846** | **820,538** | **55,000** | **-** | **(398)** | **2,017** | **5,236,507** |

See accompanying notes.

# Banco ABC Brasil S.A.

Consolidated statements of cash flows
Years ended December 31, 2022 and 2021
(In thousands of reais)

| | 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| **Net income for the year** | **789,718** | **562,890** |
| **Adjustment to net income:** | **346,376** | **572,897** |
| Gain (loss) on disposal of assets not used in banking operations | 10,964 | (15) |
| Gain (loss) on disposal of fixed assets and intangible | - | (34) |
| Provision for impairment of assets not of own use | 8,483 | 24,150 |
| Allocations of reserves of capital | 24,403 | (6,350) |
| Depreciation and amortization | 39,916 | 33,683 |
| Credit losses | 115,237 | 130,527 |
| Provision for contingent liabilities | 23,788 | 39,865 |
| Deferred tax | 68,009 | (12,836) |
| Effects of Changes in Foreign Exchange Rates on Cash and Cash Equivalents | (20,241) | (3,125) |
| Effects of Changes in Foreign Exchange Rates on Assets and Liabilities | 75,817 | 367,032 |
| | | |
| **(Increase) / Decrease in operating assets** | **(3,795,849)** | **(10,080,582)** |
| Financial assets measured at fair value through profit or loss | 2,333,890 | (4,701,367) |
| Financial assets measured at fair value through other comprehensive income | (1,039,724) | 361,002 |
| Repurchase agreements | 510,552 | 140,799 |
| Deposits with private banks | 308,688 | (625,460) |
| Securities measured at amortized cost | (62,419) | (160,464) |
| Loans and advances to customers | (4,636,442) | (1,556,181) |
| Assets not for own use | (19,824) | 35,641 |
| Foreign exchange portfolio | (900,891) | (3,104,882) |
| Taxes | 76,761 | 15,839 |
| Other assets | (370,542) | (472,069) |
| MTM - of Financial assets measured at fair value through other comprehensive income | 4,102 | (13,440) |
| | | |
| **Increase / (Decrease) in operating liabilities** | **6,219,023** | **4,456,545** |
| Financial liabilities measured at fair value through profit or loss | (76,405) | 385,738 |
| Derivatives used as fair value hedge | 3,910 | - |
| Deposits | 2,398,504 | (1,778,142) |
| Repurchase agreements | 120,021 | (25,371) |
| Funds from acceptance and issue of securities | 5,006,674 | 1,912,924 |
| Foreign borrowings | (2,079,949) | 1,866,683 |
| Onlendings in Brazil - government agencies | 573,906 | 351,016 |
| Funding - Transfers abroad | (593,724) | (1,255,859) |
| Foreign exchange portfolio | 989,859 | 3,074,010 |
| Interbranch accounts | 22,234 | (15,553) |
| Taxes | (4,876) | 66,454 |
| Other liabilities | (202,802) | (74,653) |
| Tax Paid | 61,671 | (50,702) |
| | | |
| **Cash flow (used in) / provided by operating activities** | **3,559,268** | **(4,488,250)** |
| | | |
| **Investing activities** | | |
| Acquisition of fixed assets for use and intangible assets | (93,559) | (48,202) |
| Fixed asset in use and intangible asset disposals | 721 | 1,011 |
| | | |
| **Cash (used in) investing activities** | **(92,838)** | **(47,191)** |
| | | |
| **Financing activities** | | |
| Treasury stock | 11,948 | (37,252) |
| Interest on equity paid | (308,162) | (200,651) |
| Subordinated debts | 539,583 | (14,990) |
| Capital raising | - | 62,475 |
| Distributed dividends | (1,639) | - |
| Non controlling shareholders interest | 2,461 | 500 |
| | | |
| **Cash provided by financing activities** | **244,191** | **(190,418)** |
| | | |
| **Increase / (Decrease) in cash and cash equivalents** | **3,710,621** | **(4,725,859)** |
| | | |
| At the beginning of the year | 1,519,340 | 6,244,699 |
| At the end of the year | 5,229,961 | 1,519,340 |
| | | |
| **Change in cash and cash equivalents** | **3,710,621** | **(4,725,359)** |

See accompanying notes.

## 1. Operations

The Bank is a publicly traded corporation and a subsidiary of the Bank ABC, based in Bahrain. In Brazil, the Bank is engaged in asset and liability operations inherent to multiple bank activities, being authorized to operate with commercial, foreign exchange, investment, credit and financing and housing financing portfolios.

The Bank’s operations are conducted through branches in Brazil and abroad through an overseas branch located in Georgetown, Cayman Islands.

The consolidated financial statements for the year ended December 31, 2022 were approved by the Directors on March 31, 2023.

## 2. Accounting practices

### 2.1 Basis of preparation

The consolidated financial statements were prepared based on amortized cost, except for financial assets measured at fair value through other comprehensive income, derivative financial instruments and financial assets and liabilities designated at fair value through profit or loss, which were all measured at fair value.

The consolidated financial statements are presented in Brazilian Reais (R$), which is the functional currency and of presentation of Banco ABC Brasil S.A. and its subsidiaries.

<u>Declaration of compliance</u>

The Bank's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Bank published on February 07, 2023 its individual and consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by Central Bank of Brazil (BACEN) “BRGAAP”.

(In thousands of reais)

The reconciliation between the balances presented in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil "BRGAAP" and International Financial Reporting Standards (IFRS), of equity and net income for the years ended December 31, 2022 and 2021, are shown below:

| | | 2022 | 2021 |
|---|---|---|---|
| **Equity under BRGAAP** | | **5,207,403** | **4,670,658** |
| Provision for losses on loans and advances to customers | (a) | 26,786 | 29,975 |
| Guarantees and responsibilities | (a) | 9,640 | 14,321 |
| Others | | (7,322) | (1,278) |
| **Equity under IFRS** | | **5,236,507** | **4,713,676** |
| | | | |
| **Net income under BRGAAP** | | **800,234** | **572,173** |
| Provision for losses on loans and advances to customers | (a) | (2,513) | (2,990) |
| Guarantees and responsibilities | (a) | (4,681) | (769) |
| Others | | (3,322) | (5,524) |
| **Net income under IFRS** | | **789,718** | **562,890** |

a) *Provision for losses on loans and advances to customers*

With the adoption of IFRS 9, there has been a change in the calculation model of loss incurred (IAS39) for expected loss, considering prospective information. In BRGAAP is used the concept of loss incurred in according with BACEN Resolution No. 2,682/99.

Consolidation basis

The consolidated financial statements include the financial statements of Banco ABC Brasil S.A. and those of the subsidiaries ABC Brasil Distribuidora de Títulos e Valores Mobiliários S.A., ABC Brasil Administração e Participações Ltda., ABC Brasil Comercializadora de Energia Ltda. (direct and indirect interests corresponding to approximately 100%) and ABC Brasil Corretora de Seguros Ltda. (indirect participation of 90%).

The accounting practices adopted to record operations and in the evaluation of balance sheet elements by the Bank, including the operations of the foreign branch and subsidiaries included in consolidation were uniformly applied, and investments, rights, obligations and the results between the consolidated companies were eliminated.

### 2.2 Significant accounting judgments and estimates

In the process of preparing the financial statements of the Bank, management has resorted to professional judgment and used estimates to calculate certain amounts recorded in the financial statements. The most important use of judgment and estimates occurs in relation to:

Continuity of operations

Management assessed the Bank's ability to continue operating normally and is convinced that the Bank has the resources to continue its business in the future. Additionally, management is not aware of any material uncertainty which may generate significant doubts about its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

Fair value of financial instruments, including derivatives

When the fair value of financial assets and liabilities recorded in the balance sheet can not be obtained in an active market, it is determined using a variety of valuation techniques including the use of mathematical models. The variables of these models are derived from observable market data whenever possible, but when market data is not available, judgment is needed to establish fair value. Judgment includes considerations about liquidity and variable models, such as volatility of long-term derivatives and discount rates, prepayment rates and assumptions related to default on notes secured by assets. The valuation of financial instruments is presented in more detail in Note 7.

Impairment of financial assets measured at amortized cost

The Bank reviews its loans and advances individually every balance sheet date to assess whether impairment losses must be recorded in the income statement. Judgment by management is required to estimate the amount and period of future cash flow to determine impairment losses. In estimating these cash flows, the Bank makes judgments regarding the financial situation of customer and the realizable value net of collateral. These estimates are based on assumptions of a number of factors and, therefore, actual results may vary, leading to future changes in the provision. Impairment of loans and advances to customers is disclosed in more details in the Notes 6 and 8.

Impairment of financial assets measured at fair value through other comprehensive income

The Bank reviews its debt instruments classified as fair value through other comprehensive income on each date of the financial statements to assess whether they are designated for impairment. This requires judgment similar to the individual assessment of loans and advances. The Bank also records impairment losses on equity investments classified as fair value through other comprehensive income in which there was a significant or prolonged decrease in fair value. The determination that it is considered "significant" or "prolonged" requires judgment. To reach this judgment, the Bank assesses, among other factors, the historical change in the share price, in addition to the duration and extent to which the fair value of the investment was less than its cost.

Deferred tax assets and liabilities

Deferred tax assets are recognized on tax losses to the extent that it is probable that taxable income will be available during the period in which the losses may be used. Judgment is required to determine the amount of future deferred tax asset that should be recognized, based on the probable future taxable income flow and, together with tax planning strategies.

Contingent assets and contingent liabilities
The recognition, measurement and disclosure of contingent assets and liabilities, and legal liabilities take place according to the criteria described below:

- Contingent assets - are not recognized in the financial statements, except when there is evidence providing guarantee of their realization, on which further appeals can no longer be filed.

- Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and the Bank's management, the risk of loss of a legal or administrative proceeding is regarded as probable, with a probable outflow of funds for settling the liabilities, and when the amounts involved may be measured with sufficient accuracy. Contingent liabilities classified by legal advisors as possible losses are only disclosed in notes, whereas those classified as remote losses do not require provision or disclosure.

## 3. Summary of significant accounting practices

a) Translation of balances in foreign currency

The consolidated statements are presented in Reais, the functional currency of the subsidiaries and the presentation of these statements.

Assets and liabilities are translated using the exchange rate at the balance sheet date. Income and expenses are translated at the average monthly exchange rate and the equity in earnings, in the income statement for the period.

b) Financial instruments - Initial recognition and subsequent measurement

(I) *Date of recognition*

All assets and liabilities are initially recognized at trade date, i.e. the date on which the Bank becomes a party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(II) *Initial recognition of financial instruments*

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired by management and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where financial assets and liabilities are recorded at fair value through profit or loss.

(III) *Financial assets and liabilities stated at fair value through profit or loss (FVTPL)*

Financial assets and liabilities classified in this category are those designated as such during initial recognition. The designation of a financial instrument at fair value through profit or loss upon initial recognition only takes place when the following criteria are met, and designation of each instrument is determined individually:

• SPPI test: evaluation of the cash flows generated by the financial instrument with the objective of verifying whether they only constitute payment of principal and interest. To meet this concept, cash flows must include consideration for the time value of money and credit risk. If the contractual terms introduce risk exposure or cash flow volatility, such as exposure to changes in equity instrument prices or commodity prices, the financial asset is classified as at fair value through profit or loss.

- Business model: represents the way financial assets are managed to generate cash flows. Financial assets can be managed with the purpose of: i) obtaining contractual cash flows; ii) obtain contractual and sale cash flows.

Financial assets and liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in "Net result of financial assets and liabilities". Interest earned or incurred is appropriated in 'Interest income' or 'interest expense', respectively, using the effective interest rate. Dividend income is recognized as 'other operating income' when the right to payment is established.

(IV) *Financial assets measured at fair value in other comprehensive income (FVTOCI)*

After the initial measurement, financial instruments measured at fair value in other comprehensive income are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity, in the "Other comprehensive income" for adjustment to market value of financial assets measured at fair value through other comprehensive income, net of taxes.

When the investment is liquidated, the cumulative gain or loss previously recognized in equity is recognized in income statement in "net income from financial assets". When the Bank maintains more than an investment of the same type, they are considered as if they were written off using the concept of "average purchase cost". Changes in fair value and interest income or interest expense are recognized, according to contractual terms or when right to payment is established, are recorded in '"Net result from financial assets and liabilities". Interest income or expense is recorded under "interest income and expense" respectively under the terms of the agreement or when the right to payment is established. Dividends received while it is held as a financial asset measured at fair value through other comprehensive income are recognized in the income statement as 'other operating income' when the right to receive payment is established.

The impairment of these financial instruments is recognized in the income statement under "net income from financial assets and liabilities" and written off from the 'reserves for adjustment to market value of 'financial assets measured at fair value through other comprehensive income'.

(V) *Financial assets measured at amortized cost*

Receivables from banks and 'loans and advances to customers' include financial assets with fixed or determinable payments not quoted in an active market. After initial measurement, the amounts of receivables from banks and 'loans and advances to customers' are subsequently measured at amortized cost using the effective interest rate, net of provision for impairment. The amortized cost is calculated considering any discount or premium on acquisition of significant amounts and other charges and costs that are components of effective interest rate. Amortization is included in 'interest income' in the income statement. Impairment is recognized in the income statement in 'losses on receivables'.

The Bank has no loans and advances intended for sale.

(VI) *Borrowings*

Borrowings are measured at amortized cost using effective interest rate, except funding subject to hedge accounting disclosure at fair value. Amortized cost is calculated taking into consideration any discount or premium on issuance and significant costs that are components of the effective interest rate.

c) <u>Write-off of financial assets and liabilities</u>

(I) *Financial assets*

A financial asset (or applicable part of a financial asset or group of similar assets) is written off when:

- The right to receive cash flow from the asset has expired; or
- The Bank transferred the right to receive cash flow from the asset or assumed the obligation of paying the cash flow received, for the total amount, without significant delay, to a third party due to an onlending contract, and if:
- The Bank transferred substantially all the risks and rewards of the asset; or the Bank did not transfer or retained substantially all the risks and rewards from the asset, but has transferred control over the asset.

(II) *Financial liabilities*

A financial liability is written off when the obligation related to the liability is eliminated.

d) Repurchase agreements

Securities sold under repurchase agreement on a specific future date are not written off from the balance sheet, as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the balance sheet as an asset with the obligation of return, including interest appropriated as a liability in 'cash collateral of securities lent and repurchase agreements', reflecting the economic nature of the transaction as a Bank debt. The difference between sale and repurchase price is treated as interest expense and is appropriated over contract duration using the effective interest rate.

e) Determination of fair value

The fair value of financial instruments traded in active markets at balance sheet date is based on quoted market or OTC price (sales price for long positions and purchase price for short positions), without any transaction cost deduction. (Level 1 fair value hierarchy).

For all other financial instruments not traded in an active market, fair value is determined using appropriate valuation methods, which include the discounted cash flow method, comparison with similar instruments for which there are observable market prices, option valuation models, credit models and other known valuation models. Certain financial instruments are carried at fair value using valuation methods in which the current market transactions or observable market data are not available. For these financial instruments, the fair value is determined using a valuation method that was tested against prices or data of current market transactions and using the best estimates of the most appropriate model of the Bank. Models are adjusted to reflect the change in purchase and sale prices to reflect the cost of liquidating the position, to serve as contra entry of credit and liquidity changes and model limitations. An analysis of the fair value of financial instruments and more details about how they were measured are available in Note 7.

f) Impairment of financial assets mensured at amortized cost

The new standard brings the concept of expected credit loss (including the use of prospective information) and classification into three stages. An asset will migrate from the stage of expected credit loss as credit risk deteriorates. If, in a subsequent period, the quality of a financial asset improves or the significant increase in previously identified credit risk reverses, the financial asset may return to the previous stage, unless it is a financial asset originated with credit recovery problems.

Stage 1 - Expected credit loss for 12 months: represents the possible delinquency events within 12 months. Applicable to financial assets without significant increase in credit risk and without credit originate recovery problems.

Stage 2 - Permanent expected credit loss over the life of the financial instrument: Applicable to financial assets with a significant increase in credit risk, but which did not originate with recovery problems.

Stage 3 - Permanent expected credit loss for assets with credit recovery problems: Applicable to financial assets considered to have credit recovery problems due to the occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that do not originate with recovery problems, but which later became troubled with recovery, it differs from stage 2 by recognizing interest income by applying the effective interest rate at amortized cost (net of provision) instead of the gross book value.

(I) *Renegotiated loans*

Where possible, the Bank seeks to restructure debts rather than to take possession of collateral. This may involve extending the term of payment and agreeing on new loan conditions. Once the terms are renegotiated, any impairment is measured using the original effective rate before the modification of the terms of the loan, which will no longer be considered delayed. Management performs ongoing review of loans renegotiated to ensure that all criteria are met and that future payments will occur. The loans continue to be subject to individual assessment of impairment, calculated using the original effective rate of the loan.

g) Financial instruments - Net presentation

Financial assets and liabilities are presented net in the balance sheet if and only if there is a current legal and enforceable right of offsetting the recognized amounts and if there is the intention of offsetting, or of realizing the asset and settling the liability simultaneously. This is not usually the case in master netting agreements, for which the related assets and liabilities are presented separately in the balance sheet.

h) Recognition of revenues and expenses

Revenue is recognized to the extent that it is probable that the economic benefit will be transferred to the Bank and revenue can be reliably measured. The specific recognition criteria below must be met before revenue is recognized:

(I) *Interest income and expense*

For all financial instruments measured at amortized cost, interest earning financial assets classified as financial assets measured at fair value through other comprehensive income and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future payments or receipts over the estimated life of the financial instrument, or a shorter period when appropriate, to the net book value of the asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any charge or incremental costs that are directly attributable to the instrument and are integral parts of the effective rate, but not of future losses on receivables. The book value of the financial asset or liability is adjusted if the Bank revises its estimates of payment and receipt. The adjusted book value is calculated based on the original interest rate and the adjustment in the book value is recorded as 'Other operating income'. However, for a reclassified financial asset for which the Bank subsequently increases its estimate of future cash receipt as a result of increased probability of recovery of future cash receipts, the effect of the increase is recognized as an adjustment in the effective rate as from the date of change in the estimate.

Once the recorded value of a financial asset or a group of similar financial assets is written off due to impairment loss, interest income continues to be recognized using the interest rate used to discount the future cash flow used to measure impairment loss.

(II) *Revenue from charges and commissions*

The Bank earns revenue from charges and commissions through various types of services it provides to its customers. Revenues from charges are segregated into the following categories:

(III) Revenue from commissions and charges for services rendered

Commissions and charges received with services rendered are recorded in the income statement on the date of service completion. When such commissions and charges have a relationship with the term of the operations, revenues are recognized over the term of the related operations.

(IV) Revenue from charges for transaction services rendered

Charges arising from trading or participation in trading with third parties, for example, contract for the purchase of shares or other securities or the purchase or sale of a business, are recognized at the end of the transaction that generated the charge. Charges or components of charges that are probably related to specific performance are recognized after meeting the specific criteria.

i) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statements include cash on hand, unrestricted current accounts with banks and available amounts receivable from banks or with original maturities of 90 days of application date.

j) Property and equipment

Property and equipment are recorded at cost excluding maintenance cost, less accumulated depreciation and impairment. Changes in estimated useful lives are accounted for as changes in the amortization method or period, and appropriately treated as changes in accounting estimates.

Depreciation is computed using the straight-line method to adjust the cost of property and equipment to their residual value over their estimated useful lives. The estimated useful lives of assets are as follows:

- Buildings 25 to 40 years
- Computer hardware 2 years
- Other furniture and equipment 2 to 4 years

Property and equipment are written off upon disposal or when future economic benefits are no longer expected from use thereof. Any gain or loss generated on asset disposal (calculated as the difference between net revenue from disposal and asset book value) is recognized in ‘other operating income’ in the income statement for the year in which the asset is disposed of.

k) Intangible assets

Intangible assets of the Bank basically include the amount of software. An intangible asset is recognized only when its cost may be reliably measured and it is probable that expected future economic benefits will flow to the Bank.

l) Financial guarantees

In the normal course of business, the Bank provides financial guarantees through sureties. Financial guarantees are initially recognized in the financial statements as commitments in memorandum accounts. Any increase in liability associated with financial guarantees is recorded in the income statement in 'losses on receivables’. The premium received is recognized in the income statement in 'net revenue from charges and commissions’ using the straight-line method based on the duration of the guarantee term.

m) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

n) Taxes

Provisions for income tax and social contribution, when due, are based on accounting profit, adjusted for additions and exclusions provided for in tax legislation. Deferred income tax and social contribution are calculated on the amount of temporary differences, whenever the realization of these amounts is deemed probable.

o) Treasury stock

The Bank's own equity instruments that were acquired (treasury stock) are deducted from equity and accounted for using the weighted average cost. Amounts paid or received on the sale, purchase, in the issue or cancellation of own equity instruments are recognized directly in equity. No gain or loss is recognized in profit or loss on the sale, purchase, in the issue or cancellation of own equity instruments.

p) Dividends (Interest on equity) of common and preferred shares

Dividends (interest on capital - JCP) of common and preferred shares are recognized as a liability and deducted from equity when approved by the shareholders of the Bank. Dividends and interest on equity at interim dates are deducted from equity when declared and are not subject to future decision by the Bank.

q) Leasing operations

The Bank leases real estate to carry out its commercial activities. Initial recognition occurs when the contract is signed, under the Lease liabilities item, which corresponds to the total future payments at present value against the Right to Use Assets, depreciated on a straight-line basis over the lease term. The financial expense corresponding to the interest on the lease liability is recognized in the item Interest Expenses in the Consolidated Income Statement.

r) Assets not for own use

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## 4. Information by segment

For managerial purposes, the Bank is organized into two operating segments based on business units and its activities as follows:

a) **Commercial Activity** - It mostly comprises managing loans and other credit operations and deposit services and checking accounts to large and medium-sized corporate and institutional clients, and promoting capital market operations and other banking services.

b) **Corporate and Treasury** - These comprise the financial results related to cost of own capital attributed to commercial activities, in addition to financial results of typical treasury activities, such as management of currency gap, rates and other arbitrage risks in foreign and domestic markets and results in managing proprietary positions. It also comprises other costs and corporate results, such as provisions for contingencies and indirect costs of activities, redistributing such costs to the commercial area.

Management manages the operating results of the Bank’s business units separately for the purposes of making decisions about resource allocation and performance evaluation. Segment performance is evaluated based on profit or loss from the operation, which considers, among other criteria, adjustment of deemed cost of own capital. The commercial segment absorbs the tax on results at a rate of 45%, and the difference in relation to total tax is allocated to the corporate and treasury segment.

No revenue from transactions with a single customer or counterparty reached 10% or more of total revenue of the Bank in 2022 and 2021.
On the measurement of operating segments results managerial reclassifications of expenses and costs for managing operating effects are considered, which can represent differences in classifications in the income statements lines compared to the financial statement prepared based on IFRS criteria.

The following table presents managerial income statements related to the segments of the Bank:

# Banco ABC Brasil S.A.

Notes to consolidated financial statements.
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(In thousands of reais)

| | 2022 | | |
|---|---|---|---|
| | Commercial Activity | Corporate and Treasury | Total |
| Operating income | 1,652,364 | 387,216 | 2,039,580 |
| Losses on receivables (net of recoveries) | (232,854) | 435 | (232,419) |
| **Total operating income after provisions** | **1,419,510** | **387,651** | **1,807,161** |
| Personnel expenses | (337,155) | (318,309) | (655,464) |
| Installations, depreciation and amortization | (18,397) | (30,294) | (48,691) |
| Other expenses | (187,706) | (16,466) | (204,172) |
| Allocated expenses | (265,447) | 265,447 | - |
| **Total operating expenses** | **(808,705)** | **(99,622)** | **(908,327)** |
| **Income before taxes** | **610,805** | **288,029** | **898,834** |
| Income and social contribution tax expenses | (274,862) | 168,207 | (106,655) |
| Non controlling shareholders interest | (2,461) | - | (2,461) |
| **Net income for the year** | **333,482** | **456,236** | **789,718** |

| | 2021 | | |
|---|---|---|---|
| | Commercial Activity | Corporate and Treasury | Total |
| Operating income | 1,403,456 | (13,520) | 1,389,936 |
| Losses on receivables (net of recoveries) | (177,233) | 316 | (176,917) |
| **Total operating income after provisions** | **1,226,223** | **(13,204)** | **1,213,019** |
| Personnel expenses | (230,041) | (217,182) | (447,223) |
| Installations, depreciation and amortization | (10,778) | (22,905) | (33,683) |
| Other expenses | (130,390) | (10,504) | (140,894) |
| Allocated expenses | (183,840) | 183,840 | - |
| **Total operating expenses** | **(555,049)** | **(66,751)** | **(621,800)** |
| **Income before taxes** | **671,174** | **(79,955)** | **591,219** |
| Income and social contribution tax expenses | (300,353) | 272,719 | (27,634) |
| Non controlling shareholders interest | (695) | - | (695) |
| **Net income for the year** | **370,126** | **192,764** | **562,890** |

(In thousands of reais)

Geographic information

Bank operations are concentrated in Brazil, but it also operates through its branch in Cayman Islands.

The balances of operations performed with third parties by the foreign branch on December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and reserves at the Central Bank of Brazil | 288,663 | 654,632 |
| Financial assets stated at fair value through profit or loss | 1,567,289 | 3,204,604 |
| Financial assets measured at fair value in other comprehensive income | 39,416 | - |
| Financial assets measured at amortized cost | 3,916,037 | 2,855,833 |
| Other assets | 493,712 | 426,119 |
| **Total** | **6,305,117** | **7,141,188** |
| | | |
| **Liabilities** | | |
| Liabilities stated at fair value through profit or loss | 50,923 | 20,089 |
| Liabilities mensured at amortized cost | 6,778,764 | 7,891,359 |
| Other Liabilities | 455,860 | 426,620 |
| **Total** | **7,285,547** | **8,338,068** |

In Brazil, the Bank has a business platform in 12 states (Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Rio de Janeiro, Minas Gerais, Goiás, Mato Grosso do Sul and Mato Grosso) and Federal district. The other Brazilian states are served by these platforms.

## 5. Cash and cash equivalents

Cash and and cash equivalent components:

| | 2022 | 2021 |
|---|---|---|
| **Cash and banks** | **329,879** | **731,091** |
| **Interbank investments** | **4,900,082** | **788,249** |
| Foreign investments | 838,842 | 345,969 |
| Other investments with maturity igual or less than 90 days (a) | 4,061,240 | 442,280 |
| **Total cash and cash equivalents** | **5,229,961** | **1,519,340** |

(a) Related to operations whose maturity on the date of effective investment was equal to or less than 90 days and which have an insignificant risk of change in value.

(In thousands of reais)

## 6. Repurchase agreements and deposits with private bank.

Repurchase agreements backed by federal securities in the amount of R$ 4,584,273 (R$ 1,475,377 in 2021) with maturity date until December 2023. Deposits with private banks in the amount of R$ 1,480,434 (R$ 1,276,034 in 2021) with maturity date until May 2026.

On December 31, 2022 and 2021, the balances of repurchase agreements and deposits with private banks are thus shown according to their stage classification and expected loss:

| **Financial assets recorded at amortized cost** | **2022** | **2021** |
|---|---|---|
| | **Stage 1** | **Stage 1** |
| Repurchase agreements | 4,585,758 | 1,478,270 |
| Repurchase agreements - expected credit loss | (1,485) | (2,893) |
| **Subtotal - Repurchase agreements** | **4,584,273** | **1,475,377** |
| Deposits with private banks | 1,481,082 | 1,276,517 |
| Deposits with private banks - expected credit loss | (648) | (483) |
| **Subtotal - Deposits with private banks** | **1,480,434** | **1,276,034** |

On December 31, 2022 and 2021, there were no balances classified in stages 2 and 3.

The expected credit loss for repurchase agreements and financial deposits had the following transactions in the years ended December 31, 2022 and 2021:

| | **2022** | **2021** |
|---|---|---|
| **Balances at the beginning of the year** | (3,376) | (3,575) |
| Constitution in the year | 1,243 | 199 |
| **Balances at the end of year** | **(2,133)** | **(3,376)** |

## Banco ABC Brasil S.A.

Notes to consolidated financial statements.
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(In thousands of reais)

# 7. Classification of financial instruments

a) Measurement of financial instruments

The table below presents the position of asset financial instruments and the related fair value:

| | 2022 | | | |
|---|---|---|---|---|
| | Public market quotes (Level 1) | Internal models (Level 2) | Internal models (Level 3) | Total |
| **Financial Assets** | | | | |
| **Financial assets stated at fair value through profit or loss** | | | | |
| Marketable securities | | | | |
| Financial treasury bills - LFT | 67,796 | - | - | 67,796 |
| Eurobonds | 21,957 | - | - | 21,957 |
| National treasury notes - NTN-B | 1,074,627 | - | | 1,074,627 |
| National treasury notes - NTN-A | 119,906 | - | - | 119,906 |
| Debentures | 24,195 | 176,550 | | 200,745 |
| Funds in infrastructure holdings | 173,322 | - | - | 173,322 |
| Public Company Shares | 33,137 | - | - | 33,137 |
| American Treasury Notes – T-Bills | 1,419,820 | - | | 1,419,820 |
| **Subtotal - Marketable securities** | **2,934,760** | **176,550** | **-** | **3,111,310** |
| Loans and advances to customers | - | 12,556 | - | 12,556 |
| Derivatives | 992,912 | 1,291,647 | - | 2,284,559 |
| **Subtotal - Financial assets stated at fair value through profit or loss** | **3,927,672** | **1,480,753** | **-** | **5,408,425** |
| | | | | |
| **Financial assets measured at fair value in other comprehensive income** | | | - | |
| Financial treasury bills - LFT | 1,491,260 | - | - | 1,491,260 |
| Eurobonds | 32,687 | - | - | 32,687 |
| National treasury notes - NTN-B | 895,237 | - | - | 895,237 |
| Certificate of Real State Receivables – “CRI” | - | 2,683 | - | 2,683 |
| Rural product bills - “CPR” | | | 250,465 | 2450,465 |
| Debentures | 77,641 | - | - | 77,641 |
| Financial Treasury - “LF” | - | 62,307 | - | 62,307 |
| Certificate of Agribusiness Receivables - “CRA” | - | 33,438 | - | 33,438 |
| Equity investment fund | - | - | 6,730 | 6,730 |
| Expected credit loss | (2,568) | (361) | (789) | (3,718) |
| **Subtotal - Financial assets measured at fair value in other comprehensive income** | **2,494,257** | **98,067** | **256,406** | **2,848,730** |
| | | | | |
| **Total Financial Assets** | **6,421,929** | **1,578,820** | **256,406** | **8,257,155** |
| | | | | |
| **Financial Liabilities** | | | | |
| **Financial liabilities stated at fair value through profit or loss** | | | | |
| Funding - Transfers abroad | - | (328,146) | - | (328,146) |
| Derivatives | (1,104,635) | (849,648) | - | (1,954,283) |
| **Subtotal - Financial liabilities stated at fair value through profit or loss** | **(1,104,635)** | **(1,177,794)** | **-** | **(2,282,429)** |
| | | | | |
| **Derivatives used as fair value hedge** | **-** | **(3,910)** | **-** | **(3,910)** |
| | | | | |
| **Total Financial Liabilities** | **(1,104,635)** | **(1,181,704)** | **-** | **(2,286,339)** |

(In thousands of reais)

| | 2021 | | | |
|---|---|---|---|---|
| | Public market quotes (Level 1) | Internal models (Level 2) | Internal models (Level 3) | Total |
| **Financial Assets** | | | | |
| **Financial assets stated at fair value through profit or loss** | | | | |
| Marketable securities | | | | |
| Financial treasury bills - LFT | 80,191 | - | - | 80,191 |
| National treasury notes - NTN-B | 1,138,026 | - | - | 1,138,026 |
| National treasury notes - NTN-A | - | 138,507 | - | 138,507 |
| Funds in infrastructure holdings | - | 32,980 | - | 32,980 |
| Debentures | 303,420 | 17,078 | - | 320,498 |
| Eurobonds | 77,403 | - | - | 77,403 |
| Certificate of Agribusiness Receivables - “CRA” | - | 21,765 | - | 21,765 |
| Certificate of Real State Receivables – “CRI” | - | 42,773 | | 42,773 |
| Public Company Shares | 140,962 | - | - | 140,962 |
| American Treasury Notes – T-Bills | 3,068,859 | | | 3,068,859 |
| **Subtotal - Marketable securities** | **4,808,761** | **253,103** | **-** | **5,061,964** |
| Loans and advances to customers | - | 18,056 | - | 18,056 |
| Derivatives | 1,801,342 | 860,953 | - | 2,662,295 |
| **Subtotal - Financial assets stated at fair value through profit or loss** | **6,610,203** | **1,132,112** | **-** | **7,742,315** |
| **Financial assets measured at fair value in other comprehensive income** | | | | |
| Financial treasury bills - LFT | 1,421,417 | - | - | 1,421,417 |
| National treasury notes - NTN-B | 200,875 | - | - | 200,875 |
| Debentures | 59,180 | 6,849 | - | 66,029 |
| Certificate of Agribusiness Receivables - “CRA” | 62,268 | - | | 62,268 |
| Certificate of Real State Receivables – “CRI” | - | 4,047 | - | 4,047 |
| Financial Treasury - “LF” | | 58,487 | | 58,487 |
| Expected credit loss | (2,685) | (237) | - | (2,922) |
| **Subtotal - Financial assets measured at fair value in other comprehensive income** | **1,741,055** | **69,146** | **-** | **1,810,201** |
| **Total Financial Assets** | **8,351,258** | **1,201,258** | **-** | **9,552,516** |
| **Financial Liabilities** | | | | |
| **Financial liabilities stated at fair value through profit or loss** | | | | |
| Derivatives | (1,845,098) | (513,736) | - | (2,358,834) |
| **Subtotal - Financial liabilities stated at fair value through profit or loss** | **(1,845,098)** | **(513,736)** | **-** | **(2,358,834)** |
| **Total Financial Liabilities** | **(1,845,098)** | **(513,736)** | **-** | **(2,358,834)** |

See in Note 3 (e) details about the criteria adopted to determine fair value of financial instruments,

Measurement of fair value - level 1 is based on quoted prices (not adjusted) in active markets for identical assets or liabilities,

Measurement of fair value - level 2 is based on other variables in addition to observable quoted prices included in level 1 for asset or liability, whether directly (i, e,, as prices) or indirectly (i,e,, based on prices), Measurement of fair value - level 3 is based are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs),

(In thousands of reais)

b) Derivative financial instruments

The table below presents the fair value of derivative financial instruments recorded as assets or liabilities with the related notional value:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Notional value | Assets | Liabilities | Notional value |
| **Derivatives held for trading** | | | | | | |
| **Futures contracts** | **-** | **-** | **8,704,666** | **-** | **-** | **11,699,055** |
| **Swap contracts (1)** | **262,914** | **(130,356)** | **9,066,041** | **150,985** | **(177,516)** | **5,635,365** |
| Interbank market | 227,977 | (66,317) | 6,414,601 | 70,912 | (41,024) | 2,426,905 |
| Foreign currency | 16,048 | (41,368) | 1,475,632 | 37,027 | (94,370) | 1,833,841 |
| Fixed rate | 13,459 | (11,898) | 1,035,589 | 19,352 | (11,937) | 684,136 |
| Other | 5,430 | (10,773) | 140,219 | 23,694 | (30,185) | 690,483 |
| **Option contracts** | **967,053** | **(866,166)** | **30,878,301** | **1,805,719** | **(1,615,475)** | **128,182,203** |
| **Purchase commitments** | **285,380** | **(286,132)** | **17,911,160** | **1,552,289** | **(1,391,304)** | **16,235,857** |
| Foreign currency | 281,507 | (284,316) | 17,750,898 | 1,539,888 | (1,390,839) | 16,223,338 |
| Others financial assets | 3,873 | (1,816) | 160,262 | 12,401 | (465) | 12,519 |
| **Sales commitments** | **681,673** | **(580,034)** | **12,967,141** | **253,430** | **(224,171)** | **111,946,346** |
| Foreign currency | 677,173 | (535,704) | 12,731,449 | 253,428 | (224,114) | 16,382,057 |
| Others financial assets | 4,500 | (44330) | 235,692 | - | (55) | 14,289 |
| IDI index | - | | - | 2 | (2) | 95,550,000 |
| **Others financial instruments** | **1,054,592** | **(961,671)** | **17,234,309** | **705,591** | **(565,843)** | **14,996,473** |
| Foreign currency | 102,371 | (377,060) | 10,992,631 | 53,824 | (56,721) | 3,478,708 |
| Others financial assets | 952,221 | (584,611) | 6,241,678 | 651,767 | (509,122) | 11,517,765 |
| **Total** | **2,284,559** | **(1,958,193)** | **65,883,317** | **2,662,295** | **(2,358,834)** | **160,513,096** |

(1) To mitigate the risks of changes in the fair value of the operation to Foreign Onleading's in the amount US$ 66,7 million (Note 12.b), the management decided to designate financial instruments shown below to hedge a portion of the principal amount and value of a portion contractual interest (there was no balance for this transaction as of December 31, 2021).

| | | 2022 | | |
|---|---|---|---|---|
| Derivatives designated as fair value hedge instruments | Notional Value | Curve Yield | Market Value | MTM |
| Hedge instruments | **336,468** | **359,134** | **337.893** | **(21,241)** |
| Swap contracts | **336,468** | **359,134** | **337.893** | **(21,241)** |
| Foreign currency – US dollar – Assets position (1) | 336,468 | 359,134 | 337.893 | (21,241) |
| Subject to hedge | **349,387** | **(349,387)** | **(328,146)** | **21,241** |
| Liabilities due to transfers abroad (Note 12, b) | 349,387 | (349,387) | (328,146) | 21,241 |

(1) Amounts updated through the balance sheet date,

(In thousands of reais)

The notional value of derivative financial instruments, including the operation used as hedge instrument, by maturity, has the following breakdown on December 31, 2022 and 2021:

| | 2022 | | | | | | | 2021 |
|---|---|---|---|---|---|---|---|---|
| | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | Over 3 years | Total | Total |
| **Off Balance** | | | | | | | | |
| Futures contracts | 516,738 | 461,255 | 221,984 | 1,394,867 | 1,502,170 | 4,607,652 | 8,704,666 | 11,699,055 |
| Option contracts | 202,431 | 568,158 | 543,122 | 22,566,976 | 6,995,864 | 1,750 | 30,878,301 | 128,182,203 |
| Swap contracts | 391,339 | 450,287 | 844,053 | 1,964,904 | 3,008,937 | 2,406,521 | 9,066,041 | 5,635,365 |
| Others financial instruments | 3,115,124 | 5,403,989 | 2,575,638 | 3,209,716 | 2,880,850 | 48,992 | 17,234,309 | 14,996,473 |
| **Total – 2022** | **4,225,632** | **6,883,689** | **4,184,797** | **29,136,463** | **14,387,821** | **7,064,915** | **65,883,317** | **-** |
| **Total - 2021** | **103,934,783** | **5,554,869** | **4,340,468** | **18,986,514** | **25,173,275** | **2,523,187** | **-** | **160,513,096** |

The unquoted derivative financial instruments where the pricing process is substantially based on the use of judgments and estimates has the amounts recorded in the Assets of R$ 1,291,647 (R$ 860,953 on 2021) and in the Liabilities of R$ 853,558 (R$ 513,736 in 2021).

The composition of the portfolio as of December 31, 2022 and 2021, considering the hierarchical levels of fair value measurement are shown as follows:

| | Consolidated | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Asset Position | | | |
| December 2022 | 992,912 | 1,291,647 | **2,284,559** |
| December 2021 | 1,801,342 | 860,953 | **2,662,295** |
| Liabilities Position | | | |
| December 2022 | 1,104,635 | 853,558 | **1,958,193** |
| December 2021 | 1,845,098 | 513,736 | **2,358,834** |

(In thousands of reais)

## 8. Loans and advances to customers mensured at amortized cost and expected credit losses.

The balance of loans and advances to customers by industry and the related provision are as under:

| | 2022 | | | |
|---|---|---|---|---|
| | **Debt balance** | **% of debt balance in relation to total balance** | **Provision** | **Net amount** |
| Agribusiness | 8,497,721 | 27,53 | (45,574) | 8,452,147 |
| Trade and Services | 8,048,390 | 26,07 | (229,313) | 7,819,077 |
| Construction and Infrastructure | 2,422,909 | 7,85 | (37,308) | 2,385,601 |
| Financial | 775,683 | 2,51 | (876) | 774,807 |
| Transformation industry | 2,278,612 | 7,38 | (40,524) | 2,238,088 |
| Industry and technology | 4,502,047 | 14,58 | (141,714) | 4,360,333 |
| Individuals | 665,045 | 2,15 | (5,903) | 659,142 |
| Transportation and logistics | 1,553,989 | 5,03 | (97,821) | 1,456,168 |
| Public utility | 2,127,848 | 6,89 | (60,511) | 2,067,337 |
| Anti-cyclical provision in addition | - | - | (42,589) | (42,589) |
| **Total** | **30,872,244** | **100,00** | **(702,133)** | **30,170,111** |

| | 2021 | | | |
|---|---|---|---|---|
| | **Debt balance** | **% of debt balance in relation to total balance** | **Provision** | **Net amount** |
| Agribusiness | 7,249,342 | 27,75 | (33,874) | 7,215,468 |
| Trade and Services | 5,600,307 | 21,44 | (81,789) | 5,518,518 |
| Construction and Infrastructure | 2,336,518 | 8,94 | (53,174) | 2,283,344 |
| Financial | 1,027,288 | 3,93 | (1,021) | 1,026,267 |
| Transformation industry | 1,951,915 | 7,47 | (179,327) | 1,772,588 |
| Industry and technology | 3,882,460 | 14,86 | (126,247) | 3,756,213 |
| Individuals | 506,237 | 1,94 | (73,291) | 432,946 |
| Transportation and logistics | 1,542,755 | 5,91 | (93,343) | 1,449,412 |
| Public utility | 2,027,042 | 7,76 | (49,619) | 1,977,423 |
| Anti-cyclical provision in addition | - | - | (54,208) | (54,208) |
| **Total** | **26,123,864** | **100,00** | **(745,893)** | **25,377,971** |

(In thousands of reais)

Loans and advances to customers are presented based on operation nature:

| | 2022 | 2021 |
|---|---|---|
| Loans | 10,505,785 | 10,236,536 |
| Financing - BNDES / Finame | 1,118,818 | 537,302 |
| Export financing | 3,722,035 | 3,263,629 |
| Onlending of foreing borrowings | 149,91 | 7,792 |
| Discounted securities | 12,898 | 15,723 |
| Foreign currency financing | 2,700,303 | 1,919,868 |
| Secured account | 382,972 | 190,292 |
| Rural and agro industrial financing | 2,121,196 | 2,400,317 |
| Real Estate Financing | 621,103 | 619,797 |
| Credit assignments operations | 19,077 | 17,103 |
| Advances on foreign exchange contracts | 1,292,706 | 913,550 |
| Notes and accounts receivable | 2,854,497 | 2,856,703 |
| Loans assigned on guarantees | - | 52,742 |
| **Total** | **25,501,291** | **23,031,354** |
| Other credit operations | 5,370,953 | 3,092,510 |
| **Total** | **30,872,244** | **26,123,864** |
| Provision | (702,133) | (745,893) |
| **Total loans and advances to customers** | **30,170,111** | **25,377,971** |

On December 31, 2022, balance of renegotiated loans amounted to R$ 108,596 (R$ 117,254 in 2021), being total loan transactions renegotiated over the year ended December 31, 2022 amounted to R$ 10,810 (R$ 54,495 in 2021).

The amount of loans recovered for the year ended December 31, 2022, previously offset against the provision, was R$ 11,061 (R$ 21,669 in 2021).

See position of loans and advances by maturity shown in Note (24) Risk Management.

a) Expected loss - Loans and advances to customers.

On December 31, 2022 and 2021 the balances of loans and advances to customers are thus shown according to their stage classification and expected loss:

| | 2022 | | | |
|---|---|---|---|---|
| **Financial assets recorded at amortized cost** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Loans and advances to customers | 28,935,221 | 993,058 | 943,965 | 30,872,244 |
| Loans and advances to customers - expected credit loss | (161,352) | (72,228) | (468,553) | (702,133) |
| **Subtotal - Loans and advances to customers** | **28,773,869** | **920,830** | **475,412** | **30,170,111** |

| | 2021 | | | |
|---|---|---|---|---|
| **Financial assets recorded at amortized cost** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Loans and advances to customers | 24,669,355 | 719,945 | 734,564 | 26,123,864 |
| Loans and advances to customers - expected credit loss | (144,238) | (77,974) | (523,681) | (745,893) |
| **Subtotal - Loans and advances to customers** | **24,525,117** | **641,971** | **210,883** | **25,377,971** |

The credit assignments with substantial retention of risks and benefits are replaced its results recognized by the remaining term of operations. The financial assets objects of sales remain recorded as loans and the amount received as obligations for sales or transfer of financial assets, The assignments were as described below:

(In thousands of reais)

During the year ended December 31, 2022, assignments were made with substantial transfer of risks and benefits, in accordance with CMN Resolution 3,533/08, in the amount of R$ 160,646 (R$ 10,680 on December 31, 2021). The effect of these operations on the income, net of any results of provision, was gain on year ended December 31, 2022 of R$ 2,236 (R$ 1,258 of gain on December 31, 2021).

The expected credit loss for loans and advances to customers had the following transactions in the years ended December 31, 2022 and 2021:

| Loans and advances to customers | 2022 | 2021 |
|---|---|---|
| **Balances at the beginning of the year** | 745,893 | 615,050 |
| Constitution in the year | 239,962 | 202,460 |
| Credits offset as loss | (283,722) | (71,617) |
| **Balances at the end of year** | **702,133** | **745,893** |

Movement of the expected credit loss by stage:

| | 2022 | | | |
|---|---|---|---|---|
| Loans and advances to customers | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Balance as on 31 December, 2021** | **(144,237)** | **(77,974)** | **(523,682)** | **(745,893)** |
| Transfer to Stage 1 | (2,386) | - | - | (2,386) |
| Transfer to Stage 2 | - | (2,199) | - | (2,199) |
| Transfer to Stage 3 | - | - | (3,968) | (3,968) |
| Originated of Stage 1 | 2,789 | - | - | 2,789 |
| Originated of Stage 2 | - | 5,764 | - | 5,764 |
| Originated of Stage 3 | - | - | - | - |
| Originated assets / Received assets or amortized | (17,518) | (6,174) | (216,270) | (239,962) |
| Loans written off the losses | - | 8,355 | 275,367 | 283,722 |
| **Balance as on 31 December, 2022** | **(161,352)** | **(72,228)** | **(468,553)** | **(702,133)** |

| | 2021 | | | |
|---|---|---|---|---|
| Loans and advances to customers | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Balance as on 31 December, 2020** | **(93,886)** | **(67,406)** | **(453,758)** | **(615,050)** |
| Transfer to Stage 1 | (1,058) | - | - | (1,058) |
| Transfer to Stage 2 | - | (1,256) | - | (1,256) |
| Transfer to Stage 3 | - | - | (464) | (464) |
| Originated of Stage 1 | 1,682 | - | - | 1,682 |
| Originated of Stage 2 | - | 1,096 | - | 1,096 |
| Originated of Stage 3 | - | - | - | - |
| Originated assets / Received assets or amortized | (53,043) | (21,061) | (128,356) | (202,460) |
| Loans written off the losses | 2,068 | 10,653 | 58,896 | 71,617 |
| **Balance as on 31 December, 2021** | **(144,237)** | **(77,974)** | **(523,682)** | **(745,893)** |

(In thousands of reais)

b) Expected loss - Marketable securities

On December 31, 2022 and 2021 the balances of financial instruments are thus shown according to their stage classification and expected loss:

| | 2022 | 2021 |
|---|---|---|
| **Financial assets mensured at amortized cost** | **Stage 1** | **Stage1** |
| Financial instruments | 2,397,687 | 2,284,832 |
| Financial instruments - expected credit loss | (2,655) | (2,554) |
| **Subtotal - Financial instruments** | **2,395,032** | **2,282,278** |

| | 2022 | 2021 |
|---|---|---|
| **Financial assets measured at fair value in other comprehensive income** | **Stage 1** | **Stage1** |
| Financial instruments | 2,852,448 | 1,813,123 |
| Financial instruments - expected credit loss | (3,718) | (2,922) |
| **Subtotal - Financial instruments** | **2,848,730** | **1,810,201** |

On December 31, 2022 and 2021, there were no balances classified in stages 2 and 3.

The expected credit loss for financial instruments had the following transactions in the years ended December 31, 2022 and 2021:

| **Financial assets mensured at amortized cost** | **2022** | **2021** |
|---|---|---|
| **Balances at the beginning of the year** | (2,554) | (2,848) |
| Constitution in the year | (101) | 294 |
| **Balances at the end of year** | **(2,655)** | **(2,554)** |

| **Financial assets measured at fair value in other comprehensive income** | **2022** | **2021** |
|---|---|---|
| **Balances at the beginning of the year** | (2,922) | (2,115) |
| Constitution in the year | (796) | (177) |
| **Balances at the end of year** | **(3,718)** | **(2,292)** |

## 9. Contingent credit commitments

The balance of contingent credit commitments is described below:

| | **2022** | **2021** |
|---|---|---|
| **Contingent credit commitments (Financial guarantees and responsibilities)** | | |
| Guarantees provided to customers | 11,153,124 | 10,837,119 |
| Open import credit | 306,997 | 231,690 |
| **Total** | **11,460,121** | **11,068,809** |

Guarantees provided to customers are subject to charges and counter-guarantees and recorded in memorandum accounts, On December 31, 2022, the balance of provisions for financial guarantees and liabilities was R$ 50,289 (R$ 46,336 in 2021) - (Note 14, a).

(In thousands of reais)

The balance of contingent credit commitments, by maturity, are as follows:

| | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 3 years | Above 3 years | Total |
|---|---|---|---|---|---|---|---|
| Contingent credit commitments | 731,715 | 2,216,285 | 1,748,767 | 3,559,341 | 2,860,226 | 343,787 | 11,460,121 |
| **Total – 2022** | **731,715** | **2,216,285** | **1,748,767** | **3,559,341** | **2,860,226** | **343,787** | **11,460,121** |
| **Total - 2021** | **603,964** | **1,870,468** | **1,987,105** | **3,290,503** | **3,036,708** | **280,061** | **11,068,809** |

On December 31, 2022 and 2021 the balances of contingent credit commitments are thus shown according to their stage classification and expected loss:

| | 2022 | | | |
|---|---|---|---|---|
| **Financial assets recorded at amortized cost** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Contingent credit commitments | 10,664,000 | 741,576 | 54,545 | 11,460,121 |
| Contingent credit commitments - expected credit loss | (12,150) | (21,776) | (16,363) | (50,289) |
| **Subtotal - Contingent credit commitments** | **10,651,850** | **719,800** | **38,182** | **11,409,832** |

| | 2021 | | | |
|---|---|---|---|---|
| **Financial assets recorded at amortized cost** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Contingent credit commitments | 10,987,745 | 29,422 | 51,642 | 11,068,809 |
| Contingent credit commitments - expected credit loss | (29,081) | (1,762) | (15,493) | (46,336) |
| **Subtotal - Contingent credit commitments** | **10,958,664** | **27,660** | **36,149** | **11,022,473** |

The expected credit loss for contingent credit commitments had the following transactions in the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Balances at the beginning of the year** | (46,336) | (49,894) |
| Constitution in the year | (3,953) | 3,558 |
| **Balances at the end of year** | **(50,289)** | **(46,336)** |

Movement of the expected credit loss by stage:

| **Contingent credit commitments** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Balance as on 31 December, 2021** | **(29,081)** | **(1,762)** | **(15,493)** | **(46,336)** |
| Originated / Received or amortized | 16,931 | (20,014) | (870) | (3,953) |
| **Balance as on 31 December, 2022** | **(12,150)** | **(21,776)** | **(16,363)** | **(50,289)** |

| **Contingent credit commitments** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Balance as on 31 December, 2020** | **(32,425)** | **(2,952)** | **(14,517)** | **(49,894)** |
| Originated / Received or amortized | 3,344 | 1,190 | (976) | 3,558 |
| **Balance as on 31 December, 2021** | **(29,081)** | **(1,762)** | **(15,493)** | **(46,336)** |

(In thousands of reais)

## 10. Foreign exchange portfolio

The balance of the foreign exchange portfolio is as under:

| | 2022 | 2021 |
|---|---|---|
| **Financial instruments - asset position** | | |
| Foreign exchange purchased to be settled – CCL | 3,720,711 | 3,545,056 |
| Provision for Exchange variation of CCL | (12,603) | (973) |
| Rights on foreign Exchange sales | 3,398,535 | 2,661,640 |
| Advances received | (584) | (555) |
| **Total** | **7,106,059** | **6,205,168** |
| | | |
| **Financial instruments - liabilities position** | | |
| Foreign exchange sold to settle | 3,451,494 | 2,698,210 |
| Foreign exchange purchase liabilities | 3,678,224 | 3,441,649 |
| **Total** | **7,129,718** | **6,139,859** |

## 11. Other assets

The composition of other assets is described below:

| | 2022 | 2020 |
|---|---|---|
| Negotiation and intermediation of securities | 683,162 | 541,163 |
| Debtors for the purchase of assets | - | 75,914 |
| Guarantee deposits | 16,883 | 16,121 |
| Prepaid expenses | 18,839 | 22,065 |
| Assets recorded as right of use | 62,955 | 71,837 |
| Securities and credits receivable | 526,642 | 289,679 |
| Taxes and contributions to compensate | 96,961 | 83,208 |
| Other assets | 192,844 | 127,757 |
| **Total** | **1,598,286** | **1,227,744** |

The balance of trading and intermediation of securities is substantially represented by receivables arising from the settlement of operations with financial assets listed on stock exchanges.

## 12. Funding

Breakdown of funding are as follows:

| | 2022 | 2021 |
|---|---|---|
| Demand deposits | 343,410 | 284,363 |
| Interbank deposits | 504,640 | 531,184 |
| Time deposits | 9,506,253 | 7,140,252 |
| Linked to repurchase agreement | 1,448,963 | 1,328,942 |
| Real estate credit bills - LCI | 1,042,135 | 1,217,547 |
| Agribusiness credit bills - LCA | 5,315,143 | 3,586,491 |
| Financial bills - LF | 10,991,214 | 7,536,384 |
| Certificates of structured finance | 3,206 | 4,602 |
| Foreign borrowings | 6,791,528 | 8,478,864 |
| Local onlendings | 2,033,465 | 1,567,890 |
| Onlendings – Foreign (Note 12) | 1,321,601 | 1,803,253 |
| Subordinated debt | 2,247,416 | 1,707,833 |
| **Total** | **41,548,974** | **35,187,605** |

(In thousands of reais)

Interbank deposits, time deposits, real estate credit bills (LCI) and agribusiness credit bills (LCA) and financial letters (FL) are made at normal market rates.

Foreign borrowings include funds raised for use in foreign exchange transactions relating to export and import financing, as well as onlendings and financing in foreign currency.

Such obligations are subject to foreign exchange variation and interest in the international market and are updated by exchange variation and charges, calculated through to balance sheet date.

Local onlendings correspond to special funds and programs managed by official institutions, which are onlent to end borrowers and are restated by official indices and charges, calculated through to balance sheet date.

Foreign onlending are represented mainly by funds raised by the Bank with multilateral agencies, which are passed onto final borrowers and are adjusted by the exchange rate variation and financial charges incurred through to the balance sheet date,

a) The compositions of the balance of foreign onleading's on December 31, 2022 and December 31, 2021 are composed as follows:

| | 2022 | 2021 |
|---|---|---|
| **Borrowings and onlendings** | | |
| **Foreign onlendings subject to "Hedge accounting" – maturity in november 2028 (Note 5.b)** | | |
| Principal amount US$ 72,3 million | 348,181 | - |
| Accrued interest | 1,206 | - |
| **Subtotal** | **349,387** | **-** |
| Adjustment to market value ("Hedge Accounting") - Notes 2.IV d | (21,241) | - |
| **Total** | **328,146** | **-** |
| Other foreign onlendings – Note 12 | 1,321,601 | 1,803,253 |
| **Total** | **1,649,747** | **1,803,253** |

## 13. Tax liabilities

Breakdown of tax liabilities are described below:

| | 2022 | 2021 |
|---|---|---|
| Provision for deferred taxes and contributions (Note 16) | 273,070 | 277,946 |
| **Total** | **273,070** | **277,946** |

(In thousands of reais)

## 14. Other liabilities

a) Breakdown of other liabilities are described below:

| | 2022 | 2021 |
|---|---|---|
| Provision for payments to be made | 328,575 | 179,440 |
| Provision for contingent liabilities (Note 18) | 23,117 | 22,824 |
| Interbank relalionship | 29 | - |
| Deferred income (commissions on guarantees) | - | 18,139 |
| Securities trading and intermediation | 99,803 | 328,064 |
| Provision for financial guarantees provided (Note 9) | 50,289 | 46,336 |
| Taxes payable | 2,736 | 2,413 |
| Social and statutory | 82,037 | 55,782 |
| Lease liability | 58,095 | 70,047 |
| Others | 32,861 | 3,831 |
| **Total** | **677,542** | **726,876** |

Securities trading and intermediation basically corresponds to amounts payable resulting from settlement of operations with stock-exchange registered financial assets.

## 15. Related parties

a) Subsidiaries and affiliates

The figures below refer to the Bank's transactions with related companies. Transactions with related parties were carried out using usual market rates and conditions on the transaction dates. In the years ended December 31, 2022 and 2021, the balances of transactions with related parties are as follows:

(In thousands of reais)

| Transactions / Related parties | Maturity | Remuneration | 2022 Assets / (Liabilities) | 2022 Income / (Expenses) Period |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Arab Banking Corporation - New York (3) | No maturity | Without remuneration | 526 | - |
| ABC International Bank – Milan (3) | No maturity | Without remuneration | 9 | - |
| **Loans** | | | | |
| Administradores (3) | 01/02/2024 | CDI + 3,05% y,y, | 19,119 | 1,529 |
| **Demand deposits** | | | | |
| Marsau Comercial Exp, e Importadora Ltda, (3) | No maturity | Without remuneration | (244) | - |
| **Time deposits and funds from acceptance and issue of securities** | | | | |
| Marsau Comercial Exp, e Importadora Ltda, (3) | 01/30/2023 | 5,20% y,y | (49) | - |
| Marsau Uruguay Holdings Sociedad Anonima (1) | 01/30/2023 | 5,20% y,y | (242) | - |
| Key members of management (3) | (a) | (a) | (16,137) | (1,394) |
| **Borrowings** | | | | |
| Arab Banking Corporation - Tunis (3) | 03/16/2023 | 5,50% y,y | (36.608) | (84) |
| Arab Banking Corporation - Tunis (3) | 02/16/2023 | 4,85% y,y | (52.535) | (358) |
| Arab Banking Corporation - Tunis (3) | 02/13/2022 | 4,65% y,y | (52.494) | (317) |
| Arab Banking Corporation - New York (3) | 01/27/2023 | Term Sofr (3m) + 5,18% y,y | (105.314) | (960) |
| Arab Banking Corporation - New York (3) | 06/16/2023 | Term Sofr (3m) + 2,98% y,y | (104.458) | (104) |
| Arab Banking Corporation - Egypt (3) | 01/17/2023 | 4,35% y,y | (20.914) | (43) |

(1) Direct controlling shareholder, (2) Indirect controlling shareholder, (3) Subsidiary,

(2) CDB - Rate of 100,00 % up to 108,50% of CDI - Lowest starting date: 10/03/2022, largest date of maturity: 11/27/2024, LCA / LCI - Rate of 91,00 % up to 114,00 of CDI - Lowest starting date: 02/02/2021, largest date of maturity: 08/25/2025, LCA / LCI- Fixed interest rate of 6,5% up to 13.53% - Lowest starting date: 08/07/2020, largest date of maturity: 09/25/2025, LCA / LCI - Fixed interest rate of 4,83% up to 5,45%+ IPCA - Lowest starting date: 08/20/2021, largest date of maturity: 08/20/2026. CDB Rate of 13,97% up to 14,18% - Lowest starting date: 10/24/2022, largest date of maturity: 10/20/2023.

b) Fees of key members of management

In compliance with Resolution CMN No, 3,921/10 and Resolution CMN No, 4,656/18, Banco ABC Brasil has implemented a Management Remuneration Policy applicable to the members of the Board of Directors, to the Executive Committee and to the Officers with no specific title (employees).

In brief, the policy has as main objectives: (i) complying with the regulations of the National Monetary Council and the Central Bank of Brazil (BACEN), which establish special rules for financial institutions such as Banco ABC; (ii) fixing the remuneration of those considered Managers of Banco ABC in compliance with the regulations referred to in item (i) above and, in particular, of those assuming this position according to the Bank's governance; (iii) aligning the remuneration of the Managers of Banco

ABC with the Bank's risk management policy; (iv) avoiding behaviors that would raise risk exposure above the levels considered prudent in the short, medium and long-term strategies adopted by Banco ABC; and (v) creating a tool for attracting and retaining talents in key positions at Banco ABC.

The remuneration defined in the policy takes into account: (i) current and potential risks faced by Banco ABC; (ii) the overall results of Banco ABC, in particular recurring income (net book profit for the period adjusted for unrealized income and ignoring the effects of non-recurring events which are within the control of Banco ABC); (iii) Banco ABC's capacity for generating cash flow; (iv) the economic environment in which Banco ABC operates, and its trends; (v) long-term sustainable financial bases and adjustments to future payments as a result of the risks assumed, changes in the cost of capital and liquidity forecasts; (vi) the individual performance of the Managers based on the target agreement celebrated by each Officer, as provided for in the profit sharing agreement filed at the headquarters of Banco ABC; (vii) the performance of the business unit; and (viii) the relationship between the individual performance of the Managers, the performance of the business unit, the performance of Banco ABC as a whole and the risks assumed.

The Variable Remuneration will be calculated:

**I – To the directors without specific designation:**

a) up to 50% of the amount determined as a result of profit-sharing participation, calculated in accordance with the negotiation established under the terms of Law No, 10,101/2000, paid in cash immediately upon payment of the profit sharing.

b) at least 50% of the amount determined as a result of the the profit-sharing participation of Banco ABC, calculated according to the negotiation established under the terms of Law No, 10,101/2000, may be paid in preferred shares of Banco ABC, instruments based on shares or other assets, The payment is deferred in proportion to the three-year deferral period.

**II - To the members of the executive committee:**

100% of the amount determined for the variable compensation will be paid in shares, share- based instruments or other assets, The payment takes place in two ways:

(i) 60% of the variable compensation paid in shares, share-based instruments or other assets, will be paid on a deferred basis for a period of six months, being settled after the referred period; and

(In thousands of reais)

(ii) 40% of the variable compensation paid in shares, share-based instruments or other assets will be paid on a deferred basis, in proportion to the three-year deferral period.

The delivery of shares relating to deferred variable remuneration allocated to managers shall only take place if, in the applicable period of deferment there is no (i) significant reduction in recurring profit realized, or (ii) losses posted by the institution or business unit, or (iii) evidence of errors in accounting and / or management practices that affect the income calculated in the variable remuneration rights acquisition period.

As approved by the Board of Directors at meetings held on September 21, 2021 and February 9, 2022, the Bank implemented the Long-Term Incentive Program for Managers, The LTI consists of programs directed to members of the Executive Committee, Directors, and key professionals of the Company, and includes a variable compensation structure based on a deferred grant of preferred shares, which are linked to ABC Brasil’s profitability, minimum periods of permanence of the employee with ABC Brasil, deadlines for effective shares grants, as well as other typical market conditions for eligibility and permanence in this type of program, In the case of the members of the Executive Committee, the LTI also includes the maintenance of a minimum number of preferred shares held by each of its members, The LTI´s goal is to further develop and enhance policies for attracting, motivating, and retaining talent, aligning the interests of ABC Brasil's employees with the earnings generation and long-term sustainable value creation, Additionally, the LTI aims at incentivizing the coordinated succession of key positions at ABC Brasil.

The total compensation of key members of management for the years ended December 31, 2022 and 2021 are composed as follows:

| | **2022** | **2021** |
|---|---|---|
| Fixed remuneration | 27,458 | 24,542 |
| Variable remuneration | 27,001 | 26,401 |
| **Total short-term benefits** | **54,459** | **50,943** |
| Share-based compensation | 93,800 | 60,994 |
| **Total long-term benefits** | **93,800** | **60,994** |
| **Total** | **148,259** | **111,937** |

c) Summary of changes in the compensation plan:

To meet the resolution of compensation plan of the Bank was authorized by CVM, privately, transfer shares of its own shares held in treasury for its executives.

(In thousands of reais)

In according to the compensation plan actions cited in Note 20.b, shares were granted to executives eligible, for settlement at the end of the vesting period, as shown below in number of shares:

| | 2022 | 2021 |
|---|---|---|
| **At the beginning of the year** | **2,056,854** | **2,514,377** |
| Shares delivered | 1,877,412 | 1,008,952 |
| Shares granted | (1,210,246) | (1,466,475) |
| **At end of the year** | **2,724,020** | **2,056,854** |

## 16. Income and social contribution taxes

The nature, origin and movement of tax credits and deferred tax liabilities in the years ended December 31, 2022 are described below:

| | 2021 | Additions | Write-offs | 2022 |
|---|---|---|---|---|
| **Tax credits** | | | | |
| **Temporary differences:** | | | | |
| Allowance for doubtful accounts | 370,767 | 357,228 | (251,817) | **476,178** |
| Provision for financial guarantees provided | 30,710 | 828 | (7,354) | **24,184** |
| Provision for assets on own use - BNDU | 33,140 | 5,965 | (2,147) | **36,958** |
| Adjustment to market value of securities and derivative financial instruments | 589,514 | 345,554 | (548,574) | **386,494** |
| Unrealized gain / (loss) from futures market operations | 13,542 | 13,950 | (9,603) | **17,889** |
| Others | 17,193 | 67,828 | (35,971) | **49,050** |
| Adjustment to market value - Financial assets measured at fair value in other comprehensive income | 26,101 | 1,582 | (14,230) | **13,453** |
| Tax loss – Negative basic of CSLL | | 180,657 | (180,657) | - |
| | **1,080,967** | **973,592** | **(1,050,353)** | **1,004,206** |
| **Deferred taxes** | | | | |
| **Temporary differences:** | | | | |
| Adjustment to market value of securities and derivative financial instruments | (258,343) | (199,194) | 217,277 | **(240,260)** |
| Unrealized results from futures market operations | (11,524) | (24,172) | 10,882 | **(24,813)** |
| Adjustment to market value - Financial assets measured at fair value in other comprehensive income | (8,079) | (6,295) | 6,378 | **(7,996)** |
| Others | (1) | - | - | (1) |
| Deferred taxes on foreign exchange variation | | | | |
| | **(277,947)** | **(229,661)** | **234,537** | **(273,070)** |
| **Net balance** | **803,020** | **743,931** | **(815,816)** | **731,136** |

For income tax, the rate used is 15% plus an additional 10% of annual taxable income exceeding R$ 240 thousand, the social contribution has a rate of 21% for financial companies and 16% for non-financial companies, according to Provisional Measure No, 1,115 of April 28, 2022, increased from August 1, 2022, effective until December 31, 2022.

(In thousands of reais)

Through Provisional Measure No, 1,034 of March 1, 2021, converted into Law No, 14,183/2021, the social contribution rate on net income was increased to 25% for the Bank and 20% for ABC DTVM, with effect until December 31, 2021.

Expenses with income and social contribution taxes for the semesters and years ended December 31, 2022, and 2021 are calculated as follows:

| | 2022 | 2021 |
|---|---|---|
| Income after participation in profits and income before tax and social contribution | 898,834 | 591,219 |
| Income and social contribution taxes | 436,677 | 282,674 |
| Income net of realization and constitution of deferred liabilities net of tax credits in the year | (53,499) | 12,839 |
| Effect of the increase / decrease of CSLL rate the tax credit | - | - |
| Nondeductible expenses net of non - Taxable revenues | (137,604) | (92,213) |
| Interest on equity (Note 23b) | (138,672) | (90,293) |
| Other | (59,408) | (72,534) |
| **Total income and social contribution taxes - Current** | **47,494** | **40,473** |
| Deferred taxes and contributions | | |
| Tax liabilities set up in the year | 223,366 | 252,463 |
| Tax liabilities realized in the year | (228,159) | (227,138) |
| Tax credits set up in the year | (972,151) | (686,363) |
| Tax credits realized in the year | 1,036,105 | 648,199 |
| **Total deferred taxes and contributions** | **59,161** | **(12,839)** |
| **Total income and social contribution taxes** | **106,655** | **27,634** |

## 17. Profit sharing

An allowance for profit sharing was established based on the Variable Compensation Program set up by Banco ABC Brasil S,A, and its employees, that takes into consideration activities developed by the Bank in various areas, the degree of responsibility, the degree of influence on earnings, as well as qualitative and quantitative targets set with individual Bank employees. In the year ended December 31, 2022, the balance of the profit sharing amounted to R$ 250,810 (R$ 162,058 on December 31, 2021).

## 18. Contingent assets and liabilities and legal, tax and social security obligations

The Bank and its subsidiaries are involved in judicial and administrative proceedings of tax, labor and civil nature, both as plaintiff and claimer, note 2 explains the criteria for recognizing and measuring these suits and proceedings.

**a) Fiscal contingents**

The bank is responsible for actions and processes whose losses are being considered with possible prognoses by our directors in the amount of R$ 490,217 (R$ 431,201 on December 31, 2021) and have not been provisioned, see below the main lawsuits whose probability of unfavorable outcome was assessed as possible:

*Tax assessment notice of service tax (“ISS”) guarantees provided by the Bank in 2016*

Tax assessment notice on guarantees provided (guarantees) for the period from January to October 2016, with full deposit of the amount and supposedly converted into income by the Municipality, with wrong allocation of the Bank's deposits, in another lawsuit, which resulted in insufficient amounts deposited to cover the triggering events from January to October 2016. The Bank presented defense against such tax assessment notice and had an unfavorable decision under the Administrative Lower Court. The Bank presented an appeal to the Administrative Court and had unfavorable decision. The bank will proceed to the judicial sphere where an action for the annulment of the tax liability will be filed. The amount involved is R$ 22,207 (R$ 19,448 as of December 31, 2021).

*Social Security’s Charges (“INSS”)*

The Bank is currently a defendant in a lawsuit related to payment of pension charges, mainly on profit sharing related to 2006 to 2014 and 2016 to 2018 exercises, amounting to R$ 366,876 (R$ 310,741 on December 31, 2021).

Income Tax (IRPJ) and Social Contribution Tax (CSLL) related to the deduction of income for the period of 2010 on loans operations.

Collection of income tax and social contribution related deduction of losses on loans operations in result of 2010, The Bank has estimated the losses as effective, however, the Receita Federal considers that occurred anticipation of the deduction period provided for in Law 9,430/96, The value of the requirement amounts to R$ 6,281 (R$ 5,896 on December 31, 2021).

*IRPJ / CSLL - Deductibility PLR of the Board on the period from 2010 to 2014*

It is collection of income tax and social contribution of PLR on deductibility paid to the board of directors for the period of 2013, 2014, 2016, 2017 and 2018. Awaiting judgment of challenging the tax assessment notice. The amount of requirement is R$ 79,962 (R$ 67,735 on December 31, 2021).

(In thousands of reais)

*IOF - Tax on Financial Transactions in credit assignment operations*

Collection of Tax on Financial Transactions on credit assignment operations with co-obligation carried out in 2015, due to the lack of payment of the Tax on Financial Transactions in these operations, which are characterized by the tax authorities as “securities discount” and subject to tax collection, awaiting judgment at the administrative level, The requirement amounts to R$ 1,229 (R$ 1,130 on December 31, 2021).

*ITR – amount to be declared.*

Charging of ITR due to de lack of payment based on a misinformation of the land size, The Receita Federal is challenging formal aspects related to the Declaration of Tax on the Territorial Rural Property (DITR), The estimated amount of the contingency corresponds to R$ 1,896.

*Urban Real Estate Tax on Secured Fiduciary Sale Operations*

The Municipality of São Paulo is charging (four tax foreclosures) Urban Real Estate Tax on secured fiduciary sale operations, The Bank presented defense against such charging, The estimated amount of the contingency corresponds to R$ 9,143.

**b) Labor**

On December 31, 2022, labor lawsuits in progress classified by our legal counsel as probable loss totaled R$ 13,286 - note 18.d (R$ 11,810 on December 31, 2021), The labor lawsuits classified as possible loss totaled R$ 40,403 (R$ 29,675 on December 31,2021) and were not provisioned.

**c) Civil**

On December 31, 2022, civil claims in progress classified by our legal counsel as probable loss totaled R$ 3,150 - note 18.d (R$ 2,935 on December 31,2021), The civil lawsuits classified as possible loss totaled R$ 6,625 (R$ 3,149 on December 31, 2021) and were not provisioned.

**d) Changes in provisions**

| | Tax | Labor | Civil | Total |
|---|---|---|---|---|
| At the beginning of the year | 6,896 | 11,810 | 2,935 | 21,641 |
| Constitution / (Reversal) | (215) | 1,476 | 215 | 1,476 |
| **At end of the year** | **6,681** | **13,286** | **3,150** | **23,117** |

(In thousands of reais)

## 19. Result of commissions and services

The result of commissions and services, in the years ended December 31, 2022 and 2021, are described below:

| | 2022 | 2021 |
|---|---|---|
| Income from guarantees given | 167,463 | 181,764 |
| Fees related to credit operations | 13,827 | 11,842 |
| Revenue from collection services | 24,534 | 20,045 |
| Revenue from bank charges | 566 | 2,596 |
| Revenue from commissions and securities placement | 148,672 | 113,344 |
| Revenue from other services | 37,446 | 5,426 |
| Revenue from commission insurance | 9,356 | 10,422 |
| **Total** | **401,864** | **345,439** |

## 20. Net result of financial assets and liabilities

The net result of financial assets and liabilities, for the years ended December 31, 2022 and 2021 are described below:

| | 2022 | | |
|---|---|---|---|
| | **Fair value through profit or loss** | **Financial assets measured at fair value through other comprehensive income** | **Total** |
| Derivative financial instruments | 526,696 | - | 526,696 |
| Marketable securities | (175,440) | 23,831 | (151,609) |
| Funding raising - Transfers abroad | 21,241 | - | 21,241 |
| **Total** | **372,497** | **23,831** | **396,328** |

| | 2021 | | |
|---|---|---|---|
| | **Fair value through profit or loss** | **Financial assets measured at fair value through other comprehensive income** | **Total** |
| Derivative financial instruments | 203,797 | - | 203,797 |
| Marketable securities | (92,382) | 564 | (91,818) |
| **Total** | **111,415** | **564** | **111,979** |

## 21. Other operating income (expenses)

Other operating income (expenses) for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Restatement of judicial deposits | 18 | 76 |
| Taxes on operating income - PIS / COFINS / ISS | (106,415) | (62,362) |
| FGC contribution expenses | (16,257) | (14,414) |
| Other revenues (expenses) | (7,146) | 8,294 |
| (Constitutuon)/Reversal of other provisions | (1,045) | (932) |
| (Constitutuon)/Reversal of provisions (Note 18,c) | (1,476) | (2,188) |
| (Constitutuon)/Reversal of provisions prepayment | (25,500) | (36,745) |
| **Total** | **(157,821)** | **(108,271)** |

(In thousands of reais)

## 22. Other expenses

Other expenses, for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Specialized technical services | (53,116) | (31,152) |
| Third party services | (16,133) | (8,307) |
| Financial system services | (28,725) | (24,960) |
| Other administrative expenses | (8,809) | (8,316) |
| Data processing | (53,625) | (32,563) |
| Transportation expenses | (539) | (457) |
| Tax expenses | (6,995) | (7,905) |
| **Total** | **(167,942)** | **(113,660)** |

## 23. Equity

a) Capital

On December 31, 2022 capital comprises 226,090,118 registered and uncertified shares (226,090,118 on December 31, 2021), without par value, of which 113,445,475 common shares (113,445,475 on December 31, 2021) and 112,644,643 preferred shares (112,644,643 on December 31, 2021).

b) Dividends and interest on equity capital

As established in the Bank's articles of incorporation, shareholders are entitled to an annual dividend of not less than 25% of net income adjusted as provided for in applicable law, such dividend can, alternatively, be distributed in the form of interest on equity.

For the years ended December 31, 2022 and 2021 shareholders resolved to distribute interest on equity, calculated according with established by Law 9,249/95, as follows:

| | 2022 | |
|---|---|---|
| **Period** | **Interest on equity** | **Reduction in expenses with income and social contributions taxes** |
| 1st trimester | 68,905 | 31,007 |
| 2nd trimester | 77,599 | 34,919 |
| 3rd trimester | 79,942 | 35,974 |
| 4th trimester | 81,716 | 36,772 |
| **Total – 2022** | **308,162** | **138,672** |

| | 2021 | |
|---|---|---|
| | **Interest on equity** | |

| Periodo | | Reduction in expenses with income and social contributions taxes |
|---|---|---|
| 1st trimester | 45,936 | 20,671 |
| 2nd trimester | 48,209 | 21,694 |
| 3rd trimester | 51,042 | 22,969 |
| 4th trimester | 55,464 | 24,959 |
| **Total - 2021** | **200,651** | **90,293** |

Interest on equity is calculated on net equity accounts and limited to the long-term interest rate, conditioned to the existence of profit calculated before deduction or retained subscription earnings and income reserves in amount equal or two times higher its amount, respecting the limits according to Resolution CMN nº 4,885/20.

On December 28, 2022, the Board of Directors approved a proposal from the Executive Board to distribute interest on equity in the total gross amount of R$ 81,716, which representes a gross amount of R$ 0,3700 per common share and preferred share.

On September 26, 2022, the Board of Directors approved a proposal from the Executive Board to distribute interest on equity in the total gross amount of R$ 79,942, which representes a gross amount of R$ 0,3620 per common share and preferred share.

On June 24, 2022, the Board of Directors approved a proposal from the Executive Board to distribute interest on equity in the total gross amount of R$ 77,599, which represents a gross amount of R$ 0,3520 per common share and preferred share.

On March 28, 2022, the Board of Directors approved a proposal from the Executive Board to distribute interest on equity in the total gross amount of R$ 68,905, which represents a gross amount of R$ 0,3130 per common share and preferred share.

c) Earnings per share

i) Basic earnings per share:

The basic earnings are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the period, excluding shares purchased by the Company and held as treasury shares (Note 21 e).

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to the Parent | 789,718 | 562,890 |
| Weighted average shares outstanding | 220,478,843 | 218,898,028 |

(In thousands of reais)

| | | |
|---|---|---|
| Basic earnings per share (Brazilian reais) | **3,63** | **2,61** |

ii) Diluted earnings per share

The diluted earnings per share is computed similar to basic earnings per share, but with the adjustment made by assuming the conversion of potentially dilutive shares in the denominator.

| | **2022** | **2021** |
|---|---|---|
| Net profit attributable to the Parent | 789,718 | 562,890 |
| Weighted average shares outstanding | 222,864,336 | 221,011,321 |
| Diluted earnings per share (Brazilian reais) | **3,59** | **2,59** |

d) Destination of earnings

*i) Income reserve - Legal reserve*

The establishment of compulsory legal reserve of 5% of net income for December 31, 2022 is of R$ 39,486 (R$ 28,110 in 2021).

*ii) Income reserve - Dividend equalization*

At the Annual and Special Shareholders' Meetings held on April 30, 2008, the shareholders approved the creation of the account Income Reserve for Dividend Equalization, to which the retained earnings account balance is allocated, limited to 80% of capital, the latter of which is set up to maintain the shareholder payment flow.

*ii) Income reserve - Repurchase of shares*

The reserve for repurchase of shares is set up to support the possible opening, after approval by the Board of Directors, of the program for repurchase of the Institution's shares, should market conditions indicate such possibility.

e) Treasury shares

For the year ended December 31, 2022, based on authorization of the Board of Directors to acquire shares of Company for holding in treasury, 450,000 preferred shares were repurchased.

(In thousands of reais)

On December 31, 2022, the total value of shares repurchased in treasury is R$ 82,162 equivalents to 5,237,311 preferred shares (R$ 94,110 equivalents to 5,997,557 in 2021). The average cost per share repurchased treasury is R$ 15,69.

Changes in treasury shares

| | **2022** | **2021** |
|---|---|---|
| At the beginning of the year | 5,997,557 | 3,535,332 |
| Shares acquired | 450,000 | 3,928,700 |
| Shares delivered | (1,210,246) | (1,466,475) |
| **At the end of the year** | **5,237,311** | **5,997,557** |

f) Capital increase

On December 30, 2021, through AGE, was approved a proposal by the Board of Directors on the capital increase in the amount of R$ 1,657,861, without modification in the number of shares, by capitalization: (i) the balance of the "Legal Reserve" account, in the amount of R$ 226,897, and (ii) the balance of the account of "Profit Reserve for Equalization of Dividends", R$ 1,430,964, approved by the Central Bank of Brazil on January 12, 2022.

On March 22, 2021, the Board of Directors decided to increase capital in the amount of R$ 62,475, corresponding to the issuance of 5,199,251 new shares, of which 2,650,341 new common shares and 2,548,910 new preferred shares through the use of interest on equity or cash payment, approved by the Central Bank of Brazil on May 11, 2021.

## 24. Other information

Offset and settlement of liabilities agreement - the Bank has an agreement on the offset and settlement of liabilities under the Brazilian National Financial System, in accordance with CMN Resolution No, 3,263/05, resulting in added guarantees of settlement of their assets with financial institutions that are party to the agreement, The total assets included in this agreement as of December 31, 2022 amount to R$ 519,903 (The Bank does not have a contract by clearing agreement as of December 31, 2021).

## 25. Risk management

Corporate risk

*Objectives*

The Bank understands that risk management is a process aimed at adding and preserving value for the institution, providing reasonable assurance that events that may affect it are identified and promptly managed according to its risk appetite.

For this purpose, it keeps structures dedicated to risk management activities that assess, monitor and report both the assumed risk and the risk appetite of the organization, proposing measures to enhance execution of processes, correct failures and avoid practices that do not abide by the required standards. Thus, it aims also to comply with Resolution No, 4,557 by the National Monetary Council, governing the activities of operational, market, credit and liquidity risk management structures and the environmental responsibility framework, respectively.

The framework developed aims at the achievement of objectives through actions to:

- Align risk appetite and strategy adopted.
- Make decisions considering existing risks.
- Reduce unforeseen operating losses.
- Identify and manage risks associated with the ventures.
- Provide integrated responses to multiple risks.
- Seize opportunities; and
- Improve capital allocation,

All areas and associates are liable for Corporate Risk Management, which must perform their activities as good as they can and timely identify control risks, failures, and deficiencies to areas to be able to solve them, it is performed therefore, in a centralized manner by the Vice-President for Credit and Risk Management.

*Governance*

The Bank, a publicly traded company with shares traded on the São Paulo Stock Exchange, at level II, believes that the Bank should be managed with main focus on adding value for shareholders without infringing the rights of stakeholders, and respecting the laws that regulate markets within accepted and recommended ethical standards.

The Bank's governance structure is based on the regulations from the São Paulo Stock Exchange, the Brazilian Securities and Exchange Commission (CVM) and the Central Bank of Brazil, with bodies like the Board of Directors, Remuneration Committee, Audit Committee and Supervisory Board (non-permanent), as well as the internal bodies, such as the Board Risk Committee, Collegiate Board and other operating committees, as the Credit Committee and the Finance Committee.

The Board of Directors is responsible for defining the risk appetite of the institution, the approval of business strategies and the maintenance of high governance standards, it should ensure the effectiveness of the risk management framework, providing independence and resources for its proper functioning, it receives support from bodies and committees created for this purpose.

The Executive Board is responsible for enforcing Board of Directors resolutions and management of the institution's activities.

The risk management policies are disclosed on internal page (Intranet), where the rules are published and made accessible to all Bank employees.

Since the Bank operates with large and medium-sized corporate customers, it opted to create two independent credit extension structures, in order to be more efficient and Accurate in analyses, the establishment of credit limits and definition of required guarantees.

Approval of the credit lines is the responsibility of the Credit Committee for customers in general and the Finance Committee for those of the financial sector, until the limits of their levels of authority. Above that, such approval is the exclusive prerogative of the Board Risk Committee.

The Bank has supported the Areas of Credit Management to ensure that risks are within the prescribed limits and that the guarantees are within the required coverage and quality.

The area of Risk Management monitors the credit point of view of portfolio concentration monitoring and evaluating the impact of adverse scenarios. Generated reports are regularly sent to the Risk Committee of the Board of Directors, the Audit Committee (presented on monthly meetings) and the Executive Board.

The business model of Banco ABC Brasil, focused on loans, financing, guarantees and derivative instruments with medium-sized and large customers, has a structure that is responsible for the entire credit management cycle, including but not limited to:

- Evaluation of new customers.
- Review of credits already extended.
- Evaluation of new products.
- Adaptation of products to its target customers.
- Monitoring of concentrations.
- Release of operations within the approved conditions.
- Timely identification of weakness in economic and financial condition of customers.
- Analysis of the impact of changes in circumstances on portfolio quality.
- Adequacy of collateral provided by customers,
- Collection of amounts due.
- Collection suits, whether amicable or not; and
- Management of guarantees provided,

Credit risk management criteria

Credit risk management encompasses all related activities, from approval of credit lines until settlement, including accounting, allocation of economic and regulatory capital and issuing periodic managerial reports to the Executive Board and Board of Directors:

- Credit risk management is done both from the perspective of processes and products.
- The credit approval process for new or existing customers depends on the authority and responsibility defined for people, areas and committees involved.
- The credit extension process is governed by specific rules for the Corporate and Middle-Market portfolio, taking into account market conditions, the macroeconomic prospects, changes in products and sectorial or geographical concentrations.
- Credit risk is assessed both on its own merits, as the mitigating effect of guarantees, also evaluates the effectiveness of the transfer of credit risk.
- The limits are set by customer and financial group for all credit risk exposures, including counterparty, settlement and issuer risk, both for the trading and non-trading portfolios.
- There are specific processes and processes for management of credit portfolios and the monitoring of individual customers, including determination of appropriate provisions and reserves, and procedures for attributing and monitoring credit rating.
- There are mechanisms for monitoring risks, quality and concentration of the portfolios, which are used in the preparation of stress scenarios and specific reports.
- The counterparty risk arising from changes in market risk variables is identified and subject to regular reviews.

- There is a formalized process for treatment of doubtful credits, indicating incumbents and classification of cases according to the stage of collection.
- All positions subject to credit risk are monitored, including off-balance sheet ones, which are recorded on a deemed risk basis, taking into account the likelihood and impact of the materialization of rights of receipt of the Bank.
- Large credit lines are approved by the Board Risk Committee, which also defines the levels of authority of local management.
- Credits prohibited are included in specific list and are consistent with the policies to prevent money laundering.
- New products are analyzed taking into account both the risk it brings to the Bank and to the customer, according to their needs and sophistication.
- The areas involved in the management and monitoring of credit risk are independent from the business areas and have the necessary structure to perform their activities, and.
- Internal Audit, in accordance with the audit plan based on relevant risks, periodically reviews the credit risk management process (design and operational effectiveness of the internal control environment). The results are reported to the Executive Board, Audit Committee, Board of Directors and to Group Audit (controlling shareholder), Notes are monitored to ensure implementation within the agreed deadlines.

*Rating*

Banco ABC Brasil works with a rating scale applied to customers, complemented by the rating of each individual operation. The first derives from quantitative and qualitative factors relating to the customer and takes into account the industry, management quality, market positioning, support from parent company, the quality of information available and the figures in the financial statements. For the rating of the operation, the effect of associated guarantees is further considered.

Credit monitoring

The monitoring of credits is done steadily for dedicated area that accompanies the behavior of credit portfolios and guarantees, as well as information from third parties such as credit bureaus, The activity is supported by specific systems.

Credit review

There is specific area of Credit Review with the dual mission to verify the quality of the analyzes and to proceed with an interim assessment during the period of the lines. This area is independent of the Executive Board of Credit Analysis.

Monitoring limit use of credit and guarantees

The framework of credit exposures is monitored constantly by area and dedicated systems. The same is true for the guarantees, which also has a specialized team to monitor the degree of coverage. The Committee shall meet guarantees in order to discuss, report and troubleshoot disability or quality of the collateral transferred.

*Deemed risk.*

Derivative operations use the credit lines specifically approved for them in amounts related to a proportion of the notional value. This stems from the maturity of the operation and the volatility of the risk factors involved. Daily recalculation ensures that volatility shocks, amounts paid, and term reduction are taken into account.

*Credit recovery process*

The Bank has specific processes for quick recovery of loans in default, and it also has a dedicated structure for this. The Credit, Commercial, Legal areas and the Credit Committee and Vice Chairs are directly involved and problem solving is monitored considering the specific characteristics of each case.

*Responsibility of the committees*

- *Board Risk Committee*: it is responsible for approving the credit risk management structure and the credit lines above the level of authority of the local Credit Committees.
- *Credit Committee* - Corporate: it is responsible for credit approval for corporate customers until its level of authority and the ratification of the rating assigned to customers and operations - all approvals must be by unanimous voting of its members, including managers of the Credit and Commercial areas and Chair and Vice Chairs.
- Syndicated Operations Committee: responsible for approving limits for underwriting operations.
- *Committee of LLP, which discusses* and validates the amount of provisioning for all operations of the Bank, also reviewing the rating by range of delay, guarantees provided, or significant facts that impact customer repayment capacity; and
- *BNDU Committee:* It proposes policies and strategies for sale of property and assets received from of loans or from performance guarantees.

(In thousands of reais)

*Credit concentration*

a) *Sectorial concentration*

Managerial monitoring of sectorial concentration is based on classification that takes into account the correlation of the activities of each sector with the economic cycle, taking into account the needs and reality of the Bank, Exposure is monitored by the Risk Management and Credit Extension areas, the Executive Board and the Board of Directors for both the Large Corporate and the Corporate portfolios, It are based on the concentration of credit and advances portfolio and guarantees provided.

**2022**

| | **Total** | | **Large Corporate** | | **Corporate** | | **Middle** | |
|---|---|---|---|---|---|---|---|---|
| | **Amount (R$ mil)** | **%** | **Amount (R$ mil)** | **%** | **Amount (R$ mil)** | **%** | **Amount (R$ mil)** | **%** |
| Agribusiness | 8,927,189 | 21,09 | 260,527 | 1,79 | 8,244,362 | 34,59 | 422,300 | 10,75 |
| Trade and services | 8,876,946 | 20,97 | 3,221,431 | 22,11 | 4,374,122 | 18,35 | 1,281,393 | 32,63 |
| Construction and infrastructure | 3,227,816 | 7,62 | 338,650 | 2,32 | 2,671,211 | 11,21 | 217,955 | 5,55 |
| Financial | 2,848,323 | 6,73 | 2,645,630 | 18,16 | 174,228 | 0,73 | 28,465 | 0,72 |
| Transformation industry | 3,222,900 | 7,61 | 1,026,027 | 7,04 | 1,629,224 | 6,83 | 567,649 | 14,45 |
| Industry and technology | 4,934,211 | 11,66 | 639,818 | 4,39 | 3,288,731 | 13,80 | 1,005,662 | 25,61 |
| Individuals | 723,484 | 1,71 | 36,025 | 0,25 | 686,706 | 2,88 | 753 | 0,02 |
| Transport and logistics | 2,521,180 | 5,96 | 1,078,735 | 7,40 | 1,142,738 | 4,79 | 299,707 | 7,63 |
| Utilities | 7,050,316 | 16,65 | 5,321,064 | 36,54 | 1,625,620 | 6,82 | 103,632 | 2,64 |
| **Total** | **42,332,365** | **100,00** | **14,567,907** | **100,00** | **23,836,942** | **100,00** | **3,927,516** | **100,00** |

**2021**

| | **Total** | | **Large Corporate** | | **Corporate** | | **Middle** | |
|---|---|---|---|---|---|---|---|---|
| | **Amount (R$ mil)** | **%** | **Amount (R$ mil)** | **%** | **Amount (R$ mil)** | **%** | **Amount (R$ mil)** | **%** |
| Agribusiness | 7,669,502 | 20,62 | 403,002 | 2,82 | 6,913,445 | 34,60 | 353,055 | 12,05 |
| Trade and services | 6,137,227 | 16,50 | 1,947,522 | 13,64 | 3,370,888 | 16,87 | 818,817 | 27,94 |
| Construction and infrastructure | 3,008,798 | 8,09 | 470,697 | 3,30 | 2,299,990 | 11,51 | 238,111 | 8,12 |
| Financial | 3,040,030 | 8,17 | 2,964,193 | 20,75 | 45,842 | 0,23 | 29,995 | 1,02 |
| Transformation industry | 2,918,895 | 7,85 | 990,149 | 6,93 | 1,514,584 | 7,58 | 414,162 | 14,13 |
| Industry and technology | 4,396,128 | 11,82 | 747,220 | 5,22 | 2,918,000 | 14,61 | 730,908 | 24,94 |
| Individuals | 561,590 | 1,51 | 157,511 | 1,10 | 404,079 | 2,02 | - | - |
| Transport and logistics | 2,747,962 | 7,39 | 1,349,051 | 9,45 | 1,142,952 | 5,72 | 255,959 | 8,73 |
| Utilities | 6,712,541 | 18,05 | 5,253,466 | 36,78 | 1,369,427 | 6,86 | 89,648 | 3,07 |
| **Total** | **37,192,673** | **100,00** | **14,282,811** | **100,00** | **19,979,207** | **100,00** | **2,930,655** | **100,00** |

(In thousands of reais)

a) *Credit risk concentration by financial instrument type*

| | 2022 | 2021 |
|---|---|---|
| Amount receivable from banks | 6,392,453 | 2,754,787 |
| Financial instruments | 10,633,258 | 11,819,030 |
| Loans and advances to customers | 30,872,244 | 26,123,864 |
| **Subtotal** | **47,897,955** | **40,697,681** |
| **Guarantees provided and responsibilities** | **11,460,121** | **11,068,809** |
| **Total** | **59,358,076** | **51,766,490** |

*Credit portfolio quality*

The portfolio of loans and advances to customers by credit quality is presented below. High quality credits are those fitting into Ratings 1 to 5, Rating 6 corresponds to prime quality, Ratings 7 to 11 correspond to sub-prime quality. At the end of 2022 and 2021, the portfolio classified as sub-prime coincided with that considered by management as involving possibility of impairment problems.

| | 2022 | 2021 |
|---|---|---|
| High quality | 20,861,908 | 17,679,233 |
| Prime quality | 8,005,835 | 6,992,174 |
| Sub-prime quality | 1,893,553 | 1,198,583 |
| Overdue credits | 110,948 | 253,874 |
| **Total** | **30,872,244** | **26,123,864** |

Liquidity risk

*Description*

The liquidity risk is basically present in the following two forms:

- *Funding risk*: related to access to funds to honor obligations or expand activities; it presents a time component defined by occurrence of imbalances between cash inflows and outflows that may affect the Bank's payment capacity, taking into consideration different currencies and terms for settling its rights and obligations.
- *Market liquidity risk*: related to the capacity to operate in the markets, without causing significant changes in price or charge.

Liquidity risk is managed by the Finance Committee, composed of Chair and Vice Chairs and treasury, credit rating, risk management, fund raising and managerial information managers. Treasury implements the decisions of the Finance Committee and manages, within the limits set for its operations, cash raising and application and mismatches between cash inflows and outflows over time, it is supported by the Risk Management area, which monitors the acceptable levels of liquidity in the present and future, and by the Financial Planning area, which holds the information for the control over cash positions. Daily reports generated are sent to Treasury, the Executive Board, Internal Audit, as well as Risk Management areas of the controlling shareholder, Weekly, the Finance Committee re-evaluates the strategy for the next period.

The Internal Audit, in accordance with the audit plan based on relevant risks, periodically reviews the liquidity risk management process (design and operational effectiveness of the internal control environment). The results are reported to the Executive Board, Audit Committee, Board of Directors and to Group Audit (controlling shareholder), Notes are monitored to ensure implementation within the agreed deadlines.

*Tools*

- *Liquidity cushion*: cash position should be sufficient to face a serious stress situation as long as necessary for the actions taken to have the corresponding effect. The Financial Committee establishes such period in number of months and guarantees that the cash is higher than the amount calculated. The model takes into account, and both take into account the liabilities falling due, redemption of applications, devaluation of government securities, margin call and assets renewal rate, among others.
- *Cash flow map*: it indicates the changes in cash position in time slots, serving to evaluate performance by product or customer type and adequacy of the temporal profile of borrowings to finance the Bank's asset portfolio.
- *Limits*: tool to ensure there is no concentration of investors, periods or a combination of both; and
- *Liquidity Contingency Plan*: A plan that indicates the actions to be taken in managing the portfolios, in Treasury activities, in reporting on crisis management and other situations, considering different scenarios and, in each of them, varying severity degrees.

# Banco ABC Brasil S.A.

Notes to consolidated financial statements.
December 31, 2022 and 2021
(In thousands of reais)

The balance sheet by maturity, for the years ended December 31, 2022 and 2021, are as follows:

| Assets | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 30 days | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Above 5 years | No maturity | Total |
| **Cash and reserve with Central Bank of Brazil** | **329,879** | - | - | - | - | - | - | **329,879** |
| **Financial assets stated at fair value through profit or loss** | **99,755** | **1,715,560** | **221,285** | **1,018,681** | **1,310,923** | **835,762** | **206,459** | **5,408,425** |
| Marketable securities | - | 1,419,820 | 22,952 | 11,865 | 649,378 | 800,836 | 206,459 | 3,111,310 |
| Derivatives | 99,491 | 295,519 | 196,881 | 1,005,175 | 652,567 | 34,926 | - | 2,284,559 |
| Loans and advances to customers | 264 | 221 | 1,452 | 1,641 | 8,978 | - | - | 12,556 |
| **Financial assets measured at fair value in other comprehensive income** | - | **25,125** | **845,451** | **5,062** | **1,920,236** | **46,126** | **6,730** | **2,848,730** |
| Marketable securities | - | 25,125 | 845,451 | 5,062 | 1,920,236 | 46,126 | 6,730 | 2,848,730 |
| **Financial assets recorded at amortized cost** | **7,345,737** | **4,577,723** | **3,854,367** | **5,192,945** | **16,398,976** | **1,260,102** | - | **38,629,850** |
| Repurchase agreements | 4,061,219 | 523,054 | - | - | - | - | - | 4,584,273 |
| Deposits with private banks | 1,104,227 | 243,020 | 54,865 | 35,802 | 42,520 | - | - | 1,480,434 |
| Marketable securities | 104,829 | - | - | 338,377 | 1,619,245 | 332,581 | - | 2,395,032 |
| Loans and advances to customers | 2,075,462 | 3,811,649 | 3,799,502 | 4,818,766 | 14,737,211 | 927,521 | - | 30,170,111 |
| **Non-current assets available for sale** | **120,415** | - | - | **37,000** | - | - | - | **157,415** |
| **Other assets** | **7,247,464** | **951,847** | **793,451** | **514,852** | **200,937** | - | - | **9,708,551** |
| Foreign exchange portfolio | 4,644,972 | 951,847 | 793,451 | 514,852 | 200,937 | - | - | 7,106,059 |
| Other | 1,598,286 | - | - | - | - | - | - | 1,598,286 |
| Taxes | 1,004,206 | - | - | - | - | - | - | 1,004,206 |
| **Property and equipment** | - | - | - | - | - | - | **169,500** | **169,500** |
| **Total Assets** | **15,143,250** | **7,270,255** | **5,714,554** | **6,768,540** | **19,831,072** | **2,141,990** | **382,689** | **57,252,350** |

(In thousands of reais)

| Liabilities | Up to 30 days | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Above 5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities stated at fair value through profit or loss** | **174,139** | **174,923** | **174,416** | **877,384** | **870,263** | **11,304** | - | **2,282,429** |
| Derivatives | 174,139 | 174,923 | 174,416 | 877,384 | 542,117 | 11,304 | - | 1,954,283 |
| **Derivatives used as fair value hedge** | - | - | - | - | **3,910** | - | - | **3,910** |
| **Financial liabilities recorded at amortized cost** | **4,869,437** | **7,873,540** | **6,216,342** | **9,586,878** | **11,712,090** | **1,290,687** | - | **41,548,974** |
| **Fund raising** | **4,869,437** | **7,873,540** | **6,216,342** | **9,586,878** | **11,712,090** | **1,290,687** | - | **41,548,974** |
| Deposits | 1,621,082 | 2,311,046 | 1,857,924 | 3,231,849 | 1,332,402 | - | - | 10,354,303 |
| Repurchase agreements | 1,421,770 | 27,193 | - | - | - | - | - | 1,448,963 |
| Funds – acceptance/ issue of securities | 1,029,689 | 2,383,402 | 2,110,143 | 3,797,793 | 7,973,512 | 57,159 | - | 17,351,698 |
| Foreign borrowings | 679,033 | 2,949,579 | 1,562,273 | 1,537,790 | 62,853 | - | - | 6,791,528 |
| Onlendings in Brazil | 93,156 | 158,156 | 149,862 | 528,704 | 988,855 | 114,732 | - | 2,033,465 |
| Funding - Transfers abroad | - | - | 511,077 | 348,049 | 425,686 | 36,789 | - | 1,321,601 |
| Subordinated debt | 24,707 | 44,164 | 25,063 | 142,693 | 928,782 | 1,082,007 | - | 2,247,416 |
| **Other liabilities** | **5,748,722** | **941,816** | **785,203** | **512,752** | **192,037** | - | - | **8,180,530** |
| Foreign exchange portfolio | 4,697,910 | 941,816 | 785,203 | 512,752 | 192,037 | - | - | 7,129,718 |
| Interbranch accounts | 100,200 | - | - | - | - | - | - | 100,200 |
| Taxes | 273,070 | - | - | - | - | - | - | 273,070 |
| Other | 677,542 | - | - | - | - | - | - | 677,542 |
| **Equity** | - | - | - | - | - | - | **5,236,507** | **5,236,507** |
| **Total liabilities and equity** | **10,792,298** | **8,990,279** | **7,175,961** | **10,977,014** | **12,778,300** | **1,301,991** | **5,236,507** | **57,252,350** |

*The Financial Treasury Bills LFT, classified as fair value through other comprehensive income, are shown in the balance sheet by the maturity of the paper even though they have high liquidity and amount to R$ 1,891,314,*

(In thousands of reais)

| Assets | Up to 30 days | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Above 5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **Cash and reserve with Central Bank of Brazil** | **731,091** | - | - | - | - | - | - | **731,091** |
| **Financial assets stated at fair value through profit or loss** | **234,094** | **3,302,353** | **140,575** | **1,584,502** | **1,400,800** | **1,079,991** | - | **7,742,315** |
| Marketable securities | 140,963 | 3,088,908 | - | 404,833 | 390,550 | 1,036,710 | - | 5,061,964 |
| Derivatives | 84,585 | 213,445 | 140,575 | 1,177,494 | 1,010,250 | 35,946 | - | 2,662,295 |
| Loans and advances to customers | 8,546 | - | - | 2,175 | - | 7,335 | - | 18,056 |
| **Financial assets measured at fair value in other comprehensive income** | - | - | - | **11,250** | **747,839** | **1,051,112** | - | **1,810,201** |
| Marketable securities | - | - | - | 11,250 | 747,839 | 1,051,112 | - | 1,810,201 |
| **Financial assets recorded at amortized cost** | **4,094,595** | **3,099,353** | **3,367,555** | **4,243,174** | **12,817,924** | **2,789,059** | - | **30,411,660** |
| Repurchase agreements | 1,475,377 | - | - | - | - | - | - | 1,475,377 |
| Deposits with private banks | 713,869 | 500,347 | 11,628 | 32,104 | 18,086 | - | - | 1,276,034 |
| Marketable securities | 149,935 | - | - | 113,925 | 1,176,298 | 842,120 | - | 2,282,278 |
| Loans and advances to customers | 1,755,414 | 2,599,006 | 3,355,927 | 4,097,145 | 11,623,540 | 1,946,939 | - | 25,377,971 |
| **Non-current assets available for sale** | **120,038** | - | - | - | **37,000** | - | - | **157,038** |
| **Other assets** | **7,033,349** | **349,746** | **601,008** | **438,334** | **91,442** | - | - | **8,513,879** |
| Foreign exchange portfolio | 4,724,638 | 349,746 | 601,008 | 438,334 | 91,442 | - | - | 6,205,168 |
| Other | 1,227,744 | - | - | - | - | - | - | 1,227,744 |
| Taxes | 1,080,967 | - | - | - | - | - | - | 1,080,967 |
| **Property and equipment** | - | - | - | - | - | - | **116,578** | **116,578** |
| **Total Assets** | **12,213,167** | **6,751,452** | **4,109,138** | **6,277,260** | **15,095,005** | **4,920,162** | **116,578** | **49,482,762** |

(In thousands of reais)

| Liabilities | 2021 Up to 30 days | 1 to 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Above 5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities stated at fair value through profit or loss** | **89,612** | **136,033** | **111,752** | **1,056,827** | **918,591** | **46,019** | **-** | **2,358,834** |
| Derivatives | 89,612 | 136,033 | 111,752 | 1,056,827 | 918,591 | 46,019 | - | 2,358,834 |
| **Financial liabilities recorded at amortized cost** | **4,106,140** | **4,815,455** | **5,843,633** | **9,275,569** | **9,985,676** | **876,769** | **284,363** | **35,187,605** |
| **Fund raising** | **4,106,140** | **4,815,455** | **5,843,633** | **9,275,569** | **9,985,676** | **876,769** | **284,363** | **35,187,605** |
| Deposits | 1,184,606 | 1,305,748 | 1,171,537 | 3,104,690 | 904,642 | 213 | 284,363 | 7,955,799 |
| Repurchase agreements | 1,217,023 | 111,919 | - | - | - | - | - | 1,328,942 |
| Funds – acceptance/ issue of securities | 546,566 | 1,150,529 | 1,396,117 | 2,533,814 | 6,666,319 | 51,679 | - | 12,345,024 |
| Foreign borrow ings | 1,097,819 | 1,689,063 | 2,627,996 | 2,672,547 | 391,439 | - | - | 8,478,864 |
| Onlendings in Brazil | 36,154 | 112,953 | 164,065 | 360,431 | 761,976 | 132,311 | - | 1,567,890 |
| Funding - Transfers abroad | 402 | 419,735 | 447,789 | 562,820 | 248,376 | 124,131 | - | 1,803,253 |
| Subordinated debt | 23,570 | 25,508 | 36,129 | 41,267 | 1,012,924 | 568,435 | - | 1,707,833 |
| **Other liabilities** | **5,783,887** | **338,071** | **577,372** | **435,289** | **88,028** | **-** | **-** | **7,222,647** |
| Foreign exchange portfolio | 4,701,099 | 338,071 | 577,372 | 435,289 | 88,028 | - | - | 6,139,859 |
| Interbranch accounts | 77,966 | - | - | - | - | - | - | 77,966 |
| Taxes | 277,946 | - | - | - | - | - | - | 277,946 |
| Other | 726,876 | - | - | - | - | - | - | 726,876 |
| **Equity** | - | - | - | - | - | - | **4,713,676** | **4,713,676** |
| **Total liabilities and equity** | **9,979,639** | **5,289,559** | **6,532,757** | **10,767,685** | **10,992,295** | **922,788** | **4,998,039** | **49,482,762** |

Market risk

*Description*

Market risk is defined as the possibility of losses resulting from fluctuations in market values of positions held. The risks of operations subject to exchange variation, fluctuations in interest rates, share prices and commodity prices fit into this concept.

Market risk management is performed using inside information that the Risk Management area, which centralizes control activities and monitors the exposure of portfolios, provides daily to management, Treasury and Finance Committee members.

The Risk Management area further prepares specific reports to the Board of Directors and the Audit Committee, as part of the Committee's regular risk management monitoring activities and also discloses the Bank's risk appetite to the areas involved in market risk management and also participates in the approval process for new products or activities.

Treasury implements the decisions of the Finance Committee and manages the trading and non-trading portfolio positions within the limits set for its actuation. The Finance Committee formally discusses the exposures in its weekly meetings and outlines the strategy for the next period, and must always ensure that the limits are appropriate to the risk appetite and the market situation and act immediately in case of noncompliance.

The risk appetite is expressed in the form of limits, which are approved for each calendar year, or for shorter periods, if necessary, by the Finance Committee, the Board Risk Committee, the Asset and Liability Committee and Board Risk Committee of the Arab Banking Corporation.

The market risk management structure adheres to the Bank’s governance standards, The Treasury report ensures independence in relation to other business areas.The same happens with the Risk Management area, which reports to the CEO and the Board Risk Committee.

The Internal Audit, according to the audit plan based on relevant risks, periodically reviews the market risk management process (design and operational effectiveness of the internal control environment), The results are reported to the Executive Board, Audit Committee, Board of Directors and to Group Audit (controlling shareholder), Notes are monitored to ensure implementation within the agreed deadlines.

(In thousands of reais)

The main market risk management tools used are:

- *Value-at-Risk (VaR)*: This indicator measures the value in monetary units of the largest loss that a portfolio can suffer in a given period for a predetermined level of statistical reliability. It can be calculated in various ways, but basically it takes into account the distribution of portfolio returns. The great advantage of the index is to allow comparison of the risk of different asset classes, taking into account the correlation between their returns and be a simple measure for establishing exposure limits. Daily reports generated show the VaR calculation for the different risk factors and the various terms (in case of interest rate), helping to identify concentration of risks in the portfolios and guiding more effective exposure management measures, Properly hedged positions contribute little to VaR magnitude, even in markets with high volatility,The calculation is based on a historic VaR model with observation window of two years, retention period of one day and reliability level of 99%, VaR, however, as mentioned in "stress tests" item below, does not consider the impact of extreme events, resulting from significant shocks that cause abrupt changes in prices and changes in the pattern of correlation of returns;

- *Sensitivity analysis (DV01)*: Fixed income indicator that shows the gain or loss on the parallel shift of 1bp (basis-point) in the forward structure of interest rates. It also serves to indicate risk concentration, taking into account that the effect of changing interest rates is more pronounced for longer maturities.

- *Stress tests*: Result of application of crisis scenarios in the portfolios. They can be historical scenarios, representing the effects of crises occurred, or hypothetical scenarios. Such scenarios should take into account changes in prices over a period of time appropriate to consider both the cumulative effect of shocks and that necessary for reversal or hedge of risk positions. It allows to take into account extreme but feasible events, which would be on the tail of the return distribution curves, as these are not considered in calculating VaR; and

- *Back-testing*: Tests in which there is comparison of daily returns of portfolios with the maximum losses forecast by VaR with a given reliability level. For example, for VaR with reliability level of 99%, in the remaining 1% of cases, the loss occurred should be less than the calculated VaR. The objective is to verify adherence of the model used for calculating VaR.

The calculated amount is within the approved limits and presented the following changes:

| | Average | Maximum | Minimum |
|---|---|---|---|
| **2022** | **2,885** | **5,577** | **1,587** |
| 2021 | **1,810** | **3,773** | **692** |

(In thousands of reais)

The Bank also discloses a sensitivity analysis to market risk classes considered significant by management arising from financial instruments, in compliance with regulatory rules (CVM Rule No, 475). The table below demonstrates, in management's view, both the most likely scenario, as well as two additional scenarios. The probable scenario considers the prices set in contracts and capital allocation according to the Basel II rules, Scenario II considered a 25% increase in risk variables considered in accordance with the nature of financial instruments, Scenario III considered a 50% increase in the same variable. The scenario analysis was based on minimum capital required to cover the risk of exposure to interest and foreign exchange rates on December 31, 2022.

| | Exposure | | |
|---|---|---|---|
| | **Probable Scenario** | **Scenario II** | **Scenario III** |
| **i) Interest rate** | | | |
| Net exposure to fixed interest rates (RWAjur1) | 20,252 | 28,875 | 37,498 |
| Net exposure of currency coupons (RWAjur2) | 31,725 | 32,531 | 33,338 |
| Net exposure of index coupons (RWAjur3) | 41,213 | 43,252 | 45,291 |
| **Total interest rate exposure (Note 25)** | **93,190** | **104,658** | **116,127** |
| **ii) Foreign exchange rate** | 24,755 | 53,970 | 83,186 |
| **Total exposure purchased at exchange rates** | **24,755** | **53,970** | **83,186** |
| **iii) Index, shares and commodities** | 85,567 | 85,932 | 86,298 |
| **Total exposure to index, shares and commodities** | **85,567** | **85,932** | **86,298** |

With respect to interest rate risk of the Non-trading Portfolio (Banking Book), the Bank applies tests to ensure that capital allocation is also sufficient to cover such risks, The results of procedures, on December 31, 2022, showed an exposure of R$ 128,711, It results from the calculation of an interest rate shock applied to this portfolio. This results from the calculation of VaR of exposure to interest rate with retention period of one year. For purposes of sensitivity analysis, the risk of currency mismatch of this portfolio is considered in the position of exchange rates described immediately above.

Operating risk

*Description*

The Bank recognizes that the operating risk is a specific category of risk and, as such, should be managed. Its scope should include the entire institution, involving all of its employees, and consider its processes, activities, systems, products and physical structure, Operating risk includes legal risks and has the support of the internal legal department.

Operating risk management is structured in three lines of defense. The first is the actuation of the manager of the areas responsible for the processes, systems or products, Secondly, risks are mapped, along with the related controls and mitigators, and monitored by the Risk Management area, Finally, the Audit is the ultimate monitoring level of the operating, business and support areas, as well as of other control and risk management areas.

Management is based on ongoing identification, evaluation, monitoring, control and mitigation of risks through specific tools. It is routinely monitored at the corporate level by internal and external audits and the Operating Risk Committee, constituted for this purpose. The effectiveness of actions is reinforced by timely communication to management, the involvement of employees and the efforts to disseminate the culture of risk management.

*Methodology*

The operating risk management model provides for:

- Identification, assessment, monitoring, control and mitigation of operating risk through management instruments and systems.
- Mapping of processes in a standardized and organized way based on the structure of the organization.
- Mapping of risk controls and structured in a systematic way for each mapped process (Risk and Control Matrix).
- Risk and controls assessment according to the institution's internal methodology and dedicated electronic system support.
- Key risk indicators.
- Databases of losses and incidents in connection with operating risk; and
- Communication of operating risk through management instruments, systems or specific forums.
- The Internal Audit, in accordance with the audit plan based on relevant risks, periodically reviews the operational risk management process (design and operational effectiveness of the internal control environment). The results are reported to the Executive Board, Audit Committee, Board of Directors and to Group Audit (controlling shareholder), Notes are monitored to ensure implementation within the agreed deadlines.

(In thousands of reais)

## 26. Statement of value added

Statement of value added for the year ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Determination of Value Added** | | |
| Net interest income | 1,532,580 | 927,839 |
| Result from commissions and services | 401,864 | 345,439 |
| Net result from financial assets and liabilities | 396,328 | 111,979 |
| Result from foreign exchange operations and exchange variation | (133,371) | 112,950 |
| Loss on receivables (net of recoveries) | (232,419) | (176,917) |
| Other administrative expenses | (84,921) | (60,917) |
| Other operating expenses | (318,768) | (214,026) |
| **Value added** | **1,561,293** | **1,046,347** |
| **Value added to be distributed** | **1,561,293** | **1,046,347** |
| **Value distributed** | **1,561,293** | **1,046,347** |
| **Value added distribution** | | |
| **Work remuneration** | **568,110** | **397,386** |
| Personnel expenses | 239,968 | 179,203 |
| Benefits, social charges and training (except INSS) | 77,334 | 56,125 |
| Profit sharing | 250,808 | 162,058 |
| **Government remuneration** | **201,004** | **85,376** |
| Social security - INSS | 87,354 | 49,837 |
| Tax expenses (except IR and CSLL) | 6,995 | 7,905 |
| Income and social contribution tax expenses | 106,655 | 27,634 |
| **Remuneration of shareholders** | **792,179** | **563,585** |
| Interest on equity (Note 24.b) | 308,162 | 200,651 |
| Retained profits | 481,556 | 362,239 |
| Non controlling shareholders interest | 2,461 | 695 |

The statement of value added is not required by the IFRS, but it has been presented as supplementary information in accordance with brazilian statutory legislation for public companies, and was derived from the Consolidated Financial Statements of the Bank prepared in accordance with the IFRS.

(In thousands of reais)

## 27. Operating limit - Basel Accord

The Central Bank of Brazil, through Resolution No, 4,192/13 and 4,278/13, instituted the determination of the reference equity on a consolidated basis for the financial conglomerate and by Resolution No, 4,193/13 instituted calculating the minimum equity required for reference the Risk Weighted Assets (RWA), both with effect from October 2013. The capital adequacy ratio for December 31, 2022, calculated based on the prudential conglomerate is 15,23% (15,09% on December 31, 2021). The table below shows the calculation of the minimum equity required for the reference risk weighted assets (RWA) which is 8,00% since 2019.

| | 2022 | 2021 |
|---|---|---|
| Credit risk | 2,977,663 | 2,634,387 |
| Interest rate | 93,190 | 85,376 |
| Commodities | 85,521 | 52,349 |
| Actions | 45 | 137 |
| Operating risk | 200,431 | 180,300 |
| Exchange risk | 24,714 | 20,930 |
| **Required capital base (PRE)** | **3,381,564** | **2,973,479** |
| **Reference equity (PR)** | **6,439,379** | **5,609,361** |
| **Excess of equity in relation to limit** | **3,057,815** | **2,635,882** |
| **Conciliation Shareholders equity capital** | | |
| Shareholders Equity Capital | 5,207,403 | 4,670,658 |
| Subordinated Financial Bills - *Level II* | 895,880 | 543,113 |
| Perpetual Financial Bills - Level I | 505,037 | 490,670 |
| Other Adjustments | (146,860) | (93,885) |
| Non Controlling Shareholders Interest | (2,962) | (1,195) |
| Financing object of conglomerate entities | (19,119) | (1,195) |
| **Total Reference equity x Shareholders equity capital** | **6,439,379** | **5,609,361** |