

PRSO – Recovery and Orderly Exit Plan – 2025

BCB Resolution 440/2024
CMN Resolution 5.187/2024

Public Section

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1. Introduction

In Brazil, the standardization of the Recovery and Orderly Exit Plan published by the Central Bank of Brazil (Bacen), through CMN Resolution No. 5,187/2024 and BCB Resolution No. 440/2024, provides for the process of planning the recovery and resolution of financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

The objective of the Recovery and Orderly Exit Plan, whose scope covers entities in the Prudential Conglomerate, is to assess whether the options available to the Institution to deal with a crisis are sufficiently consistent to cope with a series of shocks of different natures. In order for responses to be more adequate and timelier in the event of crises, these must be detected or anticipated by monitoring the various businesses and risks to which the Institution may be subject.

2. Organizational Profile

2.1. Overview

BB is a mixed-economy company controlled by the Brazilian federal government and is part of Novo Mercado, a segment of B3 that brings together companies with the best corporate governance practices. Its performance in social, environmental, and climate aspects is attested to by its presence in B3's Corporate Sustainability Index (ISE), the FTSE4Good Index of the London Stock Exchange, and the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange.

The Bank's operations are basically divided into five segments: a) Banking; b) Investments; c) Asset Management; d) Insurance (insurance, pension plans, and capitalization); and e) Payment Methods.

In December 2024, with 86,600 employees and 85.8 million customers, Banco do Brasil had a 16.1% share of the credit market, R\$ 2.434 billion in assets, R\$ 1.655 billion in third-party funds under management, and R\$ 1.144 billion in commercial funding.

The Bank is present in most municipalities, with 51,800 service points in December 2024, including 3,997 branches.

In addition to its physical network, the Bank has digital platforms that are becoming increasingly relevant, streamlining and facilitating access to a wide range of products and services. With new behavioral trends, mobile and internet banking accounted for 93.8% of total transactions in December 2024.

2.2. Main Business Lines and Essential Services

Main Business Lines

CMN Resolution No. 5,187/2024, Art. 4, states that Main Business Lines are activities that are essential to the viability of the prudential conglomerate or economic group, under normal circumstances, as they are material sources of revenue, capital gains, or market value.

Essential Services

As provided for in CMN Resolution No. 5,187/2024, Art. 4, Essential Services are services provided to one or more entities covered by the scope of recovery and resolution planning, whose interruption would impair the functioning of a core business line.

Assessment of Core Business Lines and Essential Services

The identification of core business lines and essential services was based on an analysis of the Bank's operations that are sources of revenue or market value. Thus, essential services are represented by the activities/services that support the core business lines.

2.3. Critical Functions and Critical Services

Critical Functions

As provided for in CMN Resolution No. 5,187/2024, Article 4, Critical Functions are activities performed by entities covered by the scope of recovery and resolution planning, as per Art. 2, sole paragraph, of the aforementioned resolution, for third parties, whose discontinuity could compromise the stability of the SFN, the SPB, or the real economy, due to the size of their participation in the market supply, their interconnections, their complexity, or other situations that prevent them from being immediately replaced by the market.

Critical Services

As provided for in CMN Resolution No. 5,187/2024, Article 4, Critical Services are services provided to an entity, the interruption of which would lead to the inability to perform critical functions.

The sudden and disorderly failure or malfunction of such services can lead to the collapse or serious impediment of Critical Functions and the Institution itself.

Criticality Assessment and Definition of Critical Functions and Critical Services

In order to achieve a higher degree of reliability in defining Banco do Brasil's Critical Functions, methodologies were applied to assess the criticality of each potential function, from both quantitative and qualitative perspectives.

In terms of quantitative aspects, the Bank's business was evaluated, considering its impact on the economy, the National Financial System (SFN), and Banco do Brasil. In terms of qualitative evaluation, the strategic directions and objectives contained in the Bank's strategy were observed, identifying the core business, events, and strategic trends.

Pursuant to Section II of Law 4,595/1964 and signed contracts, Banco do Brasil provides services to the entire National Financial System (SFN), which were considered in the analysis and identification of potential Critical Functions and were categorized as "specialized" or "provided/rendered exclusively by Banco do Brasil."

The results of the qualitative and quantitative analyses indicated the products or services assessed as Critical Functions, which aim to maintain the viability, stability, and regular functioning of the real economy.

The services that directly support each Critical Function of Banco do Brasil were identified, and the sharing and interconnectivity between Critical Functions were evaluated. Services with an indirect impact on Critical Functions, whose discontinuity could compromise the Bank's viability, were also mapped.

3. Support Structure

3.1. Management Information Systems

In compliance with Article 6 of CMN Resolution 5187/24, Banco do Brasil has the management information systems required in the *caput* of that article to support managers' decisions on the implementation of the strategies and measures set forth in the Institution's PRSO.

The Bank has a specific area that performs economic and financial valuations of Banco do Brasil's businesses and related entities.

Banco do Brasil's Business Continuity Management (BCM) process aims to prepare the Institution for possible situations of operational interruption in its most critical processes, being one of the components of the set of protection and recovery mechanisms for Critical

Functions and Services defined by the Bank, aiming at the continuity of activities, operations, and services, so as not to compromise its viability.

3.2. Monitoring Program

Indicators Framework

After studying international requirements and best practices in the banking industry, it was observed that the indicators framework adopted by the Institutions includes Recovery Indicators, Early Warning Indicators (EWI), and Resolution Indicators.

The main purpose of Early Warning Indicators (EWI) is to identify business deterioration or the materialization of risks, as well as to support the decision-making process regarding the most appropriate management action. A robust EWI framework allows for monitoring and provides signals that a Recovery Indicator may be breached in the future.

Recovery Indicators, on the other hand, determine the moment when a situation begins to be considered severe and the best available recovery option to overcome the crisis is decided upon. Given the various types of crises, recovery indicators do not automatically trigger a specific recovery option but allow for early identification of the best way to execute the Recovery and Orderly Exit Plan.

When the recovery indicator triggers (levels) are reached, senior management begins the decision-making process regarding the implementation of the Recovery and Orderly Exit Plan.

However, when the institution is found to be unviable or likely to become unviable, the context is no longer one of recovery, but rather of resolution, in which the institution exits the market or is removed from it by the BCB.

Banco do Brasil defined its framework of indicators based on this concept, as shown in the figure below:

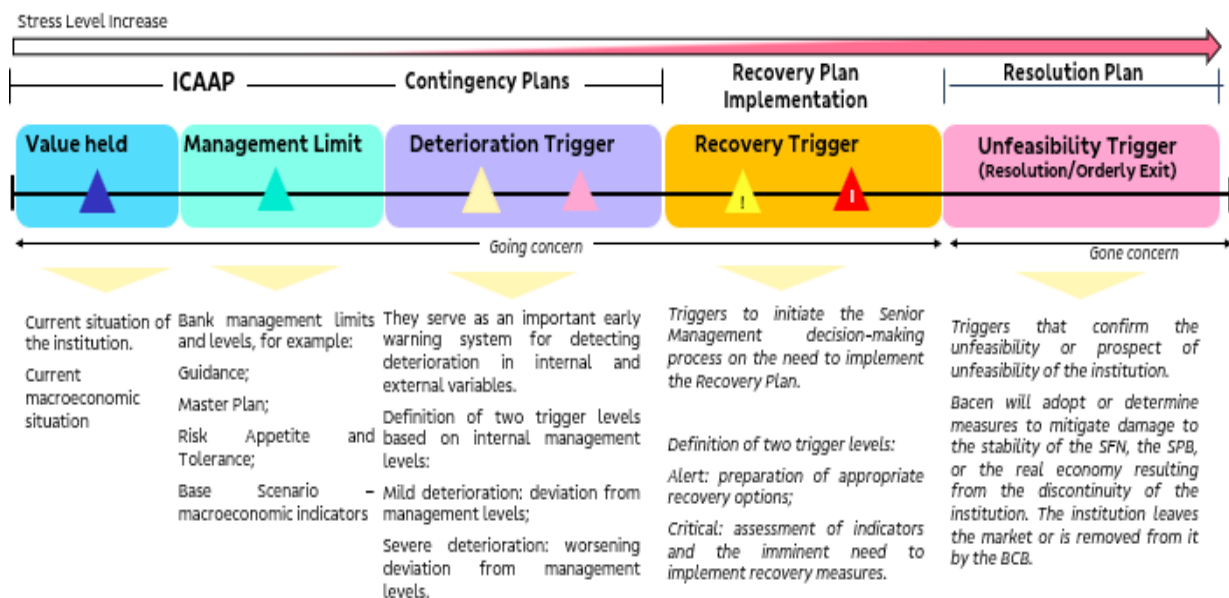


Figure 1 – Indicators Framework

In order to subsidize the mapping of indicators, we have preliminarily identified the ones that are already used in Banco do Brasil's management, by using the categories established by the Regulator as a reference.

Definition of Deterioration, Recovery, and Resolution Indicators

Based on the mapping of indicators and the criteria considered, a set of indicators was defined, including both prospective and retrospective indicators. The defined IDs were grouped into eight categories, listed below, and are monitored by observing the levels of management, mild deterioration, and severe deterioration:

- a) Capital;
- b) Liquidity;
- c) Results;
- d) Reputation;
- e) Credit Quality;
- f) Funding Sources;
- g) Legal Risk and Contagion; and
- h) Macroeconomy.

Considering the legal structure, nature of operations, complexity of business, and risk profile of Banco do Brasil, Recovery and Resolution Indicators were defined based on the four categories listed below, which are monitored according to management, alert, critical, and unfeasibility levels:

- a) Capital;
- b) Liquidity;
- c) Results; and
- d) Credit Quality.

4. Governance

4.1. Responsibility for the Recovery and Orderly Exit Plan

At Banco do Brasil (BB), the Director of Risk Management (Diris) is responsible for meeting the requirements of the Recovery and Orderly Exit Plan, established in CMN Resolution No. 5,187/2024 and BCB Resolution No. 440/2024.

4.2. Governance Structure

Banco do Brasil's corporate governance covers:

- a) the Board of Directors (CA), assisted by the Audit Committee (Coaud), by the Remuneration and Eligibility Committee (Corem), by the Risks and Capital Committee (Coris), by the Technology, Strategy and Innovation Committee (Cotei), by the Entrepreneurial Sustainability Committee (Cosem) and by the Internal Audit (Audit);
- b) the Executive Board (Direx), composed by the Board of Officers (CD), consisting of the President and the Vice-Presidents, and Statutory Directors¹; and
- c) the Fiscal Council (CF).

¹ Exclusively BB's current employees (Bylaws, Art. 24), considering the exception defined in Art. 64.

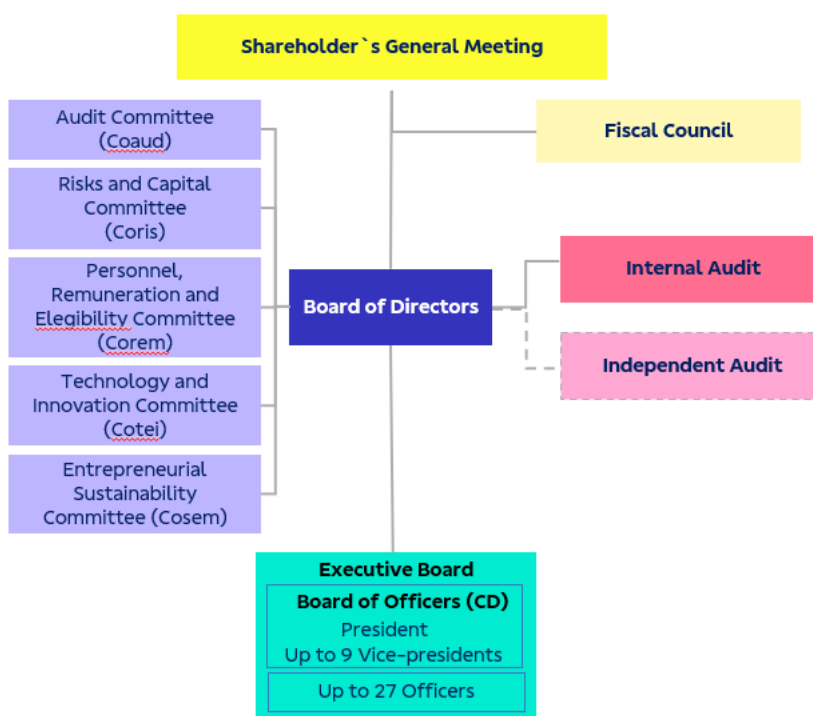


Figure 2 – Corporate Governance Structure

The decisions are communicated to the intervening areas by means of documents that objectively express the position taken by Management, ensuring its applicability in all of the Bank's levels.

Governance of the Recovery and Orderly Exit Plan

The governance model for the Recovery and Orderly Exit Plan involves a structure of executive committees, composed of various areas of the Bank, with the participation of the President, Vice Presidents, and key executives of the Bank.

Article 18 of CMN Resolution No. 5,187/2024 determines that the executive board and the board of directors must:

- ensure the timely identification of those responsible for executing the PRSO strategies and measures;
- have a comprehensive and integrated understanding of the main business lines and essential services, critical functions and critical services, indicators and other information contained in the monitoring program, stress scenarios, recovery strategies, resolution strategies, the self-assessment process for recovery and resolvability, and the barriers and risks identified to recovery and resolution; and
- ensure the development of feasible and effective recovery strategies, including those involving other companies that are part of the economic group.

The aforementioned Resolution mentions, in its Article 19, that the executive board and the board of directors are responsible for adopting the strategies set forth in the PRSO, except for those that are executed under a resolution regime.

The governance structure for the Recovery and Orderly Exit Plan and Orderly Exit Plan has the role of preserving the principles of corporate responsibility and transparency in the

execution of the Plan, relating to the decision-making processes for the adoption, or not, of the recovery strategies detailed therein.

The following figure shows the governance structure defined for the Recovery and Orderly Exit Plan:

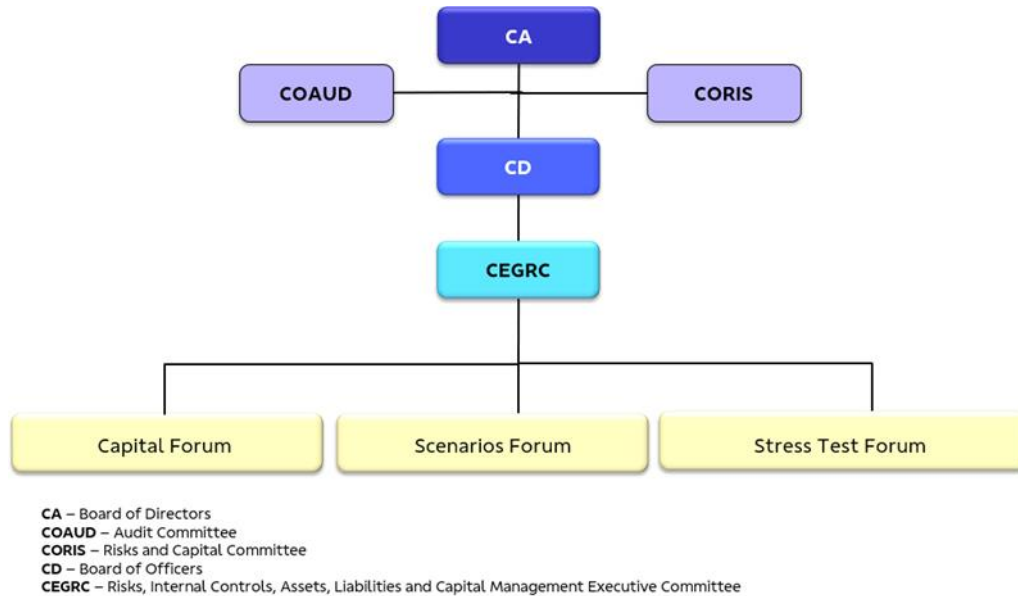


Figure 2 -Governance of the Recovery and Orderly Exit Plan Structure

Areas Involved in the Recovery and Orderly Exit Plan

The areas involved in Banco do Brasil's Recovery and Orderly Exit Plan are divided into signatories (proponents), reviewers, interveners, and auditors.

The main responsibilities of the proponents and reviewers of the Recovery and Orderly Exit Plan are to prospect, coordinate with intervening areas, develop and propose appropriate definitions for the Recovery and Orderly Exit Plan and Orderly Exit, and are responsible for the sufficiency and accuracy of the information presented.

The intervening areas in the Recovery and Organized Exit Plan are related to the definitions of Critical Functions, Critical Services, Main Business Lines and Essential Services, the Monitoring Program and Stress Scenarios, Recovery Strategies, and the Communication Plan. These are areas that manage products or services or areas that manage indicators defined in the Monitoring Program, or even business managers considered as strategic options for recovery. Therefore, the involvement of these areas depends on the definitions made in the preparation and review of BB's Recovery and Orderly Exit Plan.

The Internal Controls and Compliance Department (Dicoi) acts as the reviewing area.

5. Recovery and Resolution Strategies

5.1. Development of Stress Scenarios

CMN Resolution No. 5,187/2024, in its Article 9, defines that stress scenarios must be comprehensive and cover events that may threaten business continuity and the viability of the institution. Stress scenarios must be relevant for testing the adequacy of the critical levels defined in the monitoring program and the viability and effectiveness of recovery and resolution strategies.

The detailed description of the stress scenarios in the Recovery and Orderly Exit Plan plays a key role, as it contributes to determining their relevance and assessing their severity, allowing the credibility and viability of the institution and recovery strategies to be tested.

Detailing stress scenarios involves identifying comprehensive second-order effects. In other words, the initial design of the scenario must consider the most likely and inevitable consequences, potential chain effects, which could increase the severity of the scenario.

The development of scenarios is an interactive process to define credible and possible narratives that coherently connect relevant risks faced by the institution's businesses. The definition of stress scenarios should be guided by the severity of the event for the institution.

For the Recovery and Orderly Exit Plan, systemic and idiosyncratic stress scenarios, or a combination of both, should be considered. Systemic stress scenarios are associated with the deterioration of the economy or the financial system, with the potential to severely affect the institution. Idiosyncratic scenarios, on the other hand, are associated with specific events within the institution itself that may affect its viability, such as internal fraud, reputation crises, and rating downgrades.

Considering the aforementioned reference, a process for defining stress scenarios was outlined, as shown in the figure below:

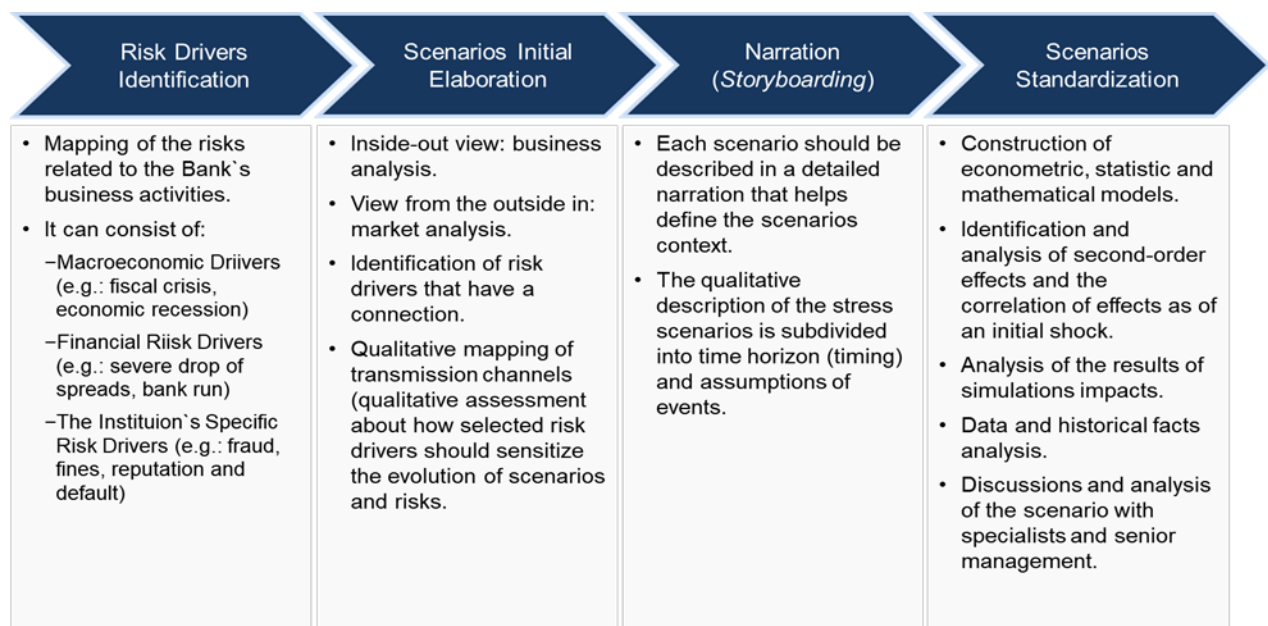


Figure 3 – Stress Scenarios Definition Process

In order to subsidize the mapping of the risks related to Banco do Brasil's businesses, the stress scenarios risk drivers identification was based upon the risks and activities operated by the institution, by considering:

- Banco do Brasil's Prudential Conglomerate Risks Inventory and Corporate Set of Relevant Risks;
- risks historical events; and
- risks inherent to the businesses performed by the Bank.

At Banco do Brasil's Scenarios Forum, the Institution's risks and risk drivers are discussed, with the participation of areas involved with business, risks, macroeconomy, finances, capital, among others. In order to elaborate scenarios, the Bank's businesses and position

in the industry and market are assessed, and the risks interrelations are considered, aiming to enable scenarios to be used in a consistent way.

For Banco do Brasil's Recovery and Orderly Exit Plan, stress scenarios were defined, by considering events in the following cases:

- a) historical and hypothetical;
- b) short, medium and long terms; and
- c) idiosyncratic and systemic.

The stress tests were performed in an integrated way, by covering the several risks the Bank is exposed to, hypotheses of assets depreciation, funds raising capability limitation, the deterioration of its results and liquidity situation, by threatening the Bank's business continuity and feasibility.

5.2. Recovery and Resolution Strategies

As provided for in CMN Resolution No. 5,187/2024, Art. 11, the inclusion of at least the following Recovery Strategies must be evaluated:

- a) strengthening of the capital and liquidity situation;
- b) assets sale;
- c) debt refinancing;
- d) restructuring of liabilities;
- e) access to financial support from entities belonging to the same economic group, if any;
- f) access to liquidity financial assistance lines, if any, regardless of the nature of the source; and
- g) changes in the corporate or organizational structures, in the institution's operating strategy or business model.

Regarding Resolution Strategies, Article 13 states that the institution must provide for a comprehensive set of resolution strategies in response to different stress scenarios that lead to resolution, with a view to ensuring the operational continuity of its critical functions. The definition of resolution strategies must consider the assessment, at a minimum, of the following measures and their adoption before or during a resolution regime:

- i. capitalization of the company;
- ii. transfer of share control;
- iii. transfer of assets and liabilities;
- iv. corporate reorganization, including through incorporation, merger, or spin-off; and
- v. expropriation of shares of capital stock.

In addition, the Recovery and Organized Exit Plan must contain a rationale for the feasibility and analysis of the expected impact of the adoption of each Recovery Strategy individually and, where applicable, the joint adoption of more than one strategy.

Any barriers to the effectiveness of the recovery strategies and the risks associated with their implementation must also be identified, as well as actions to eliminate or mitigate them.

Process for Defining and Analyzing Recovery and Resolution Strategies

To support the definition of Banco do Brasil's Recovery and Resolution Strategies, the following process was outlined:

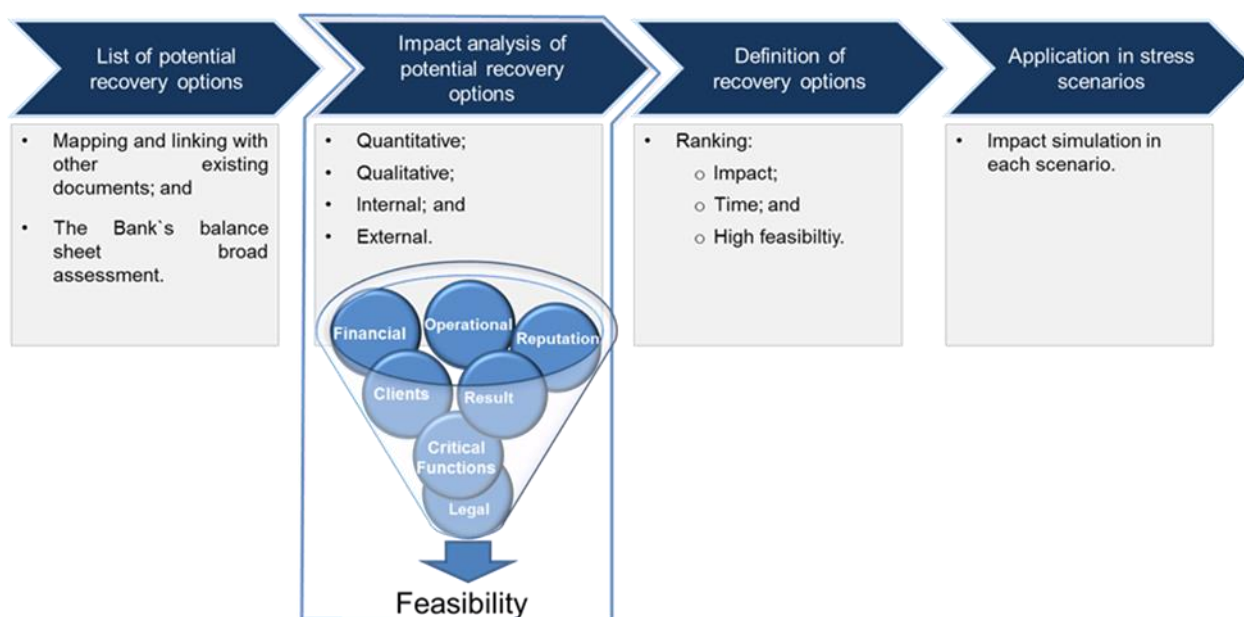


Figure 4 – Process for defining Recovery and Resolution Strategies

Other potential Recovery Strategies were identified through a comprehensive assessment of the Bank's Balance Sheet, studies of international regulatory requirements, and industry best practices.

Each potential Recovery Strategy was analyzed in terms of quantitative and qualitative aspects, considering the financial effects on the Bank's results, capital, and liquidity with the implementation of each recovery option, always taking into account the internal and external environments.

These analyses contributed to the identification of potential barriers to the effectiveness of the Recovery Strategies and the risks associated with their execution, as well as to the conclusive assessment of their feasibility.

A set of Recovery and Resolution Strategies was identified with the objective of restoring the Bank's condition in different types of situations, arising from systemic or idiosyncratic events, which could lead to serious impacts on capital and liquidity, as well as on the Bank's performance, potentially leading the Institution to insolvency.

The effectiveness of the strategies depends on market and financial system conditions, while others depend on the Bank's discretion for their implementation.

Use of Recovery Strategies under Stress Scenarios

The objective of using recovery strategies under the stress scenarios developed is to assess the feasibility and analyze the individual and combined impact of more than one strategy, with a view to restoring the institution's viability. The suggestions for each stress scenario considered the relevance of the impact that the strategy would have on liquidity or capital and the prioritization, that is, whether in that specific scenario it would produce the expected effects, considering the term (short, medium, long) and its value (market appetite).

6. Conclusion

With the publication of CMN Resolution No. 5,187/2024 and BCB Resolution No. 440/2024, Banco do Brasil's skills and capabilities for dealing with adverse and critical situations, as

embodied in the various existing contingency and business continuity plans, have been enhanced.

These improvements strengthen the Bank's financial, operational, and structural soundness by ensuring compliance with regulatory guidelines and supporting the effective implementation of the Recovery and Orderly Exit Plan. As a result, there is a deepening of the risk management culture, already widely disseminated by the company.

Banco do Brasil is aware of the role it plays and its representativeness in the National Financial System (SFN) and, for this reason, the BB Recovery and Organized Exit Plan expresses the commitment of the Company's Senior Management, as well as its employees, to managing the risks inherent in its activities.

BB's Recovery and Orderly Exit Plan is the result of the Bank's best efforts, combined with the application of its historical experience in developing crisis response plans and best market practices. Consequently, the Bank considers that the recovery strategies developed for the plan are feasible and viable. This demonstrates that, in the event of a stress event, the Bank would be prepared for a timely and orderly recovery process, with minimal impact on the National Financial System (SFN).

That understanding is based on the results of simulations carried out in relation to the application of Recovery Strategies in a stress scenario. In each of these scenarios, whether systemic or idiosyncratic stress, the set of Recovery Strategies proved capable of promptly bringing the Bank back to normal.

Despite the positive results of these simulations, recognizing the challenges of anticipating the precise circumstances in which Banco do Brasil could reach the point of near-default, it was decided to give the Recovery and Orderly Exit Plan a greater degree of flexibility. Thus, as actual conditions deviate from those predetermined, actions are taken to maintain the viability and effectiveness of the various recovery strategies.

The governance mechanisms incorporated into BB's Recovery and Orderly Exit Plan and the measures taken to comprehensively address the provisions of CMN Resolution No. 5,187/2024 and BCB Resolution No. 440/2024 reinforce the belief that the Plan can be successfully executed and that Banco do Brasil can recover from a crisis in an orderly and timely manner, without harming the Financial System or requiring additional public resources.

Finally, it should be noted that this material dealt with the public section of Banco do Brasil's Recovery and Orderly Exit Plan, in accordance with the provisions of Article 22 of CMN Resolution No. 5,187/2024.

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