Earnings Summary

Banco do Brasil recorded adjusted net income of R$9.4 billion in 4Q23, up 4.8% YoY and 7.5% QoQ. ROE was 22.5%.

In the quarter, earnings were influenced by: (i) the good commercial performance and the growth of the loan and treasury portfolios, which had a positive impact on the net interest income (+8.8%); (ii) revenues from services (+0.9%), mainly influenced by capital markets lines, loans and guarantees and consortium; (iii) the increase in the expanded ALLL expense (+32.8%), impacted due to increased risk in the companies segment and; (iv) the control of administrative expenses (+3.6%), reflecting the proper management of contracts.

In the accumulated view, adjusted net income was R$35.6 billion, 11.4% growth when compared to the last year, highlighted by: (i) the performance of the net interest income (+27.4%), influenced by the results of the loan portfolio and the securities allocated to treasury; (ii) the growth of revenues from (+4.6%), notably in the consortium, insurance and loans and guarantees; (iii) an increase of 82.3% in the expenses of the expanded ALLL; (iv) administrative expenses under control (+7.5%); and (v) positive performance of the conglomerate's companies.

Statement of Income

Table 1. Summary Statement of Income – R$ million

	4Q22	3Q23	4Q23	Δ% Y/Y	Δ% Q/Q	2022	2023	Δ% YTD
Net Interest Income	**21,451**	**23,680**	**25,769**	**20.1**	**8.8**	**73,397**	**93,497**	**27.4**
ALLL Expanded View	**(6,534)**	**(7,516)**	**(9,983)**	**52.8**	**32.8**	**(16,747)**	**(30,531)**	**82.3**
ALLL - Recovery of Write-offs	2,300	2,131	2,105	(8.5)	(1.2)	8,771	8,275	(5.6)
ALLL - Credit Risk	(8,164)	(9,164)	(10,413)	27.5	13.6	(23,547)	(32,221)	36.8
ALLL - Impairment	(363)	(93)	(1,230)	238.6	-	(795)	(4,900)	516.5
ALLL - Discount Granted	(306)	(391)	(445)	45.4	13.9	(1,176)	(1,686)	43.4
Net Financial Margin	**14,917**	**16,163**	**15,785**	**5.8**	**(2.3)**	**56,650**	**62,966**	**11.1**
Fee income	8,437	8,670	8,744	3.6	0.9	32,333	33,831	4.6
Administrative Expenses	(8,857)	(9,098)	(9,425)	6.4	3.6	(33,599)	(36,130)	7.5
Legal Risk [1]	(1,398)	(1,584)	(1,404)	0.4	(11.4)	(6,033)	(5,426)	(10.1)
Net Gains from Equity Method Investments	1,584	1,885	1,952	23.3	3.6	5,639	7,325	29.9
PREVI - Plano de Benefícios I	899	567	567	(36.9)	0.0	2,904	2,903	(0.0)
PREVI - Fundo Utilização Restatement	304	160	224	(26.4)	39.9	1,158	954	(17.6)
Other Operating Income [2]	(1,759)	(3,759)	(3,301)	87.6	(12.2)	(10,202)	(14,168)	38.9
Profit Before Taxation and Profit Sharing	**14,126**	**13,005**	**13,143**	**(7.0)**	**1.1**	**48,852**	**52,255**	**7.0**
Income and Social Contribution Taxes	(3,164)	(2,139)	(1,343)	(57.5)	(37.2)	(10,195)	(8,382)	(17.8)
Employee and Directors Profit Sharing	(1,151)	(1,119)	(1,197)	4.0	7.0	(4,059)	(4,524)	11.5
Non-Controlling Interests	(800)	(962)	(1,160)	45.1	20.6	(2,683)	(3,788)	41.2
Adjusted Net Income	**9,012**	**8,785**	**9,442**	**4.8**	**7.5**	**31,915**	**35,562**	**11.4**
One-Off Items	(412)	(389)	(580)	41.0	49.3	(803)	(1,743)	117.0
Net Income	**8,601**	**8,396**	**8,862**	**3.0**	**5.5**	**31,112**	**33,819**	**8.7**
ROE - %	**22.9**	**21.3**	**22.5**	**(0.4) p.p.**	**1.2 p.p.**	**21.1**	**21.6**	**0.5 p.p.**

(1) Group containing the balance of the line 'Civil, Tax and Labor Claims'; (2) Group containing the result of the lines' Other Provisions', Tax Expenses, 'Other Income / Operating Expenses' and 'Non-Operating Result'.

Financial Margin

Net Interest Income (NII)

In 4Q23, NII was R$25.8 billion, up 8.8% QoQ. In the accumulated view, NII was R$93.5 billion and grew 27.4%.

In comparison with the previous quarter, the highlight was the 2.1% expansion in financial income (2.1% in loan operations and 2.2% in treasury), and there was also a 4.5% reduction in financial expenses, influenced by the 6.2% drop in commercial funding, result of the reduction of TMS in the period.

In the accumulated view, the 27.3% increase in financial income (23.3% in loan operations and 39.9% in treasury) contributed to the increase in NII, driven by growth in loan portfolio volumes and rates and securities income, while financial expenses increased by 27.2%. The growth in commercial funding expenses was 29.4%, influenced by the increase in the TMS rate in the period (13.04% in 2023 against 12.39% in 2022) and the growth in balances from funding sources, with emphasis on term deposits (+10.6%) and agribusiness letters of credit (+49.8%).

Table 2. Net Interest Income (NII) and Net Interest Margin (NIM) – R$ million

	4Q22	3Q23	4Q23	Δ% Y/Y	Δ% Q/Q	2022	2023	Δ% YTD
Net Interest Income	**21,451**	**23,680**	**25,769**	**20.1**	**8.8**	**73,397**	**93,497**	**27.4**
Financial Income	**41,826**	**47,493**	**48,499**	**16.0**	**2.1**	**144,267**	**183,626**	**27.3**
Loan Operations	30,889	34,430	35,146	13.8	2.1	109,863	135,495	23.3
Treasury[1]	10,937	13,063	13,353	22.1	2.2	34,404	48,132	39.9
Financial Expenses	**(20,375)**	**(23,813)**	**(22,730)**	**11.6**	**(4.5)**	**(70,870)**	**(90,129)**	**27.2**
Commercial Funding	(17,522)	(20,821)	(19,532)	11.5	(6.2)	(59,985)	(77,621)	29.4
Institutional Funding[2]	(2,853)	(2,992)	(3,198)	12.1	6.9	(10,886)	(12,509)	14.9
NIM - %[3]	**4.7**	**4.9**	**5.3**	**13.6**	**7.8**	**4.0**	**4.8**	**21.8**
Risk Adjusted NIM - %	**3.2**	**3.3**	**3.2**	**(0.2)**	**(3.4)**	**6.2**	**6.6**	**6.3**
CDI / TMS	**3.2**	**3.2**	**2.8**	**(11.4)**	**(11.9)**	**12.4**	**13.0**	**5.2**

(1) It includes the result from interest, tax hedging, derivatives, and other financial instruments that offset the effects of the exchange rate variation on result; (2) It includes senior bonds, subordinated debt, and domestic and abroad hybrid capital and debt instruments; (3) Net Interest Income/Earning Assets Average, annualized.

Managerial NII

Margin with Clients and with the Market

Aiming to provide greater transparency and comparability to the investor market, since the 2Q23, Banco do Brasil presents its Managerial NII (with Clients and with the Market).

Figure 1. Margin with Clients[1] and with the Market[2] – R$ million

(1) Comparing with the accounting NII presented at the beginning of this chapter, the Margin with Clients is essentially formed by the loan operations income plus private securities, net of opportunity expenses for each type of operation, and by the commercial funding expenses and compulsory deposits, plus opportunity income for each type of operation; (2) Similarly, the Margin with the Market essentially consists of treasury result (excluding private securities), institutional funding expenses, Banco Patagonia's NII and net income from opportunities (income/expenses) plus income of compulsory applications..

In 4Q23, Margin with Clients, down 2.0% QoQ, was influenced by the lower number of business days (61 in 4Q23 compared to 64 in 3Q23), and also by the decline in the commercial funding margin, in line with the lower TMS of the period. In the same comparison, the Margin with Customers, up 80.6% QoQ, was influenced by the increase in Banco Patagonia's NII due to the effect of exchange rate variation on the results of securities linked to the dollar. It is worth noting that during the period there was a maximum devaluation of the Argentine peso against the US currency.

In the accumulated view, the growth in Margin with Clients (+13.6%) was sustained by movements to increase the average balance and repricing of the portfolio, with a positive effect on the clients spread, in addition to the increase in TMS, with a positive effect on commercial funding. In the Margin with Market, the growth is mainly explained by the increase in the average Selic rate (13.04% in 2023 compared to 12.39% in 2022), and by the performance of Banco Patagonia's operations in the year.

Table 3. Margin with Clients and with the Market – R$ million

	4Q22	3Q23	4Q23	Δ% Y/Y	Δ% Q/Q	2022	2023	Δ% YTD
Net Interest Income	**21,451**	**23,680**	**25,769**	**20.1**	**8.8**	**73,397**	**93,497**	**27.4**
Margin with Clients	**19,359**	**20,574**	**20,160**	**4.1**	**(2.0)**	**70,652**	**80,258**	**13.6**
Average Balance	883,990	950,154	979,865	10.8	3.1	832,451	944,315	13.4
Clients Spread	9.05	8.95	8.49	(6.2)	(5.1)	8.49	8.50	0.1
Margin with the Market	**2,092**	**3,106**	**5,608**	**168.1**	**80.6**	**2,745**	**13,239**	**382.3**

ALLL Expanded View

Expanded ALLL expenses, which correspond to credit risk expenses (in accordance with CMN Resolution No. 2,682/99), added to the amounts recovered from losses, in addition to discounts granted and impairment losses, totaled R$10.0 billion in 4Q23 (+32.8% QoQ and +52.8% YoY). Year-to-date (2023), growth was 82.3%, totaling R$30.5 billion.

Table 4. ALLL Expanded View – R$ million

	4Q22	3Q23	4Q23	Δ% Y/Y	Δ% Q/Q	2022	2023	Δ% YTD
ALLL Expanded View	**(6,534)**	**(7,516)**	**(9,983)**	**52.8**	**32.8**	**(16,747)**	**(30,531)**	**82.3**
ALLL Expenses - Recovery of Write-offs	2,300	2,131	2,105	(8.5)	(1.2)	8,771	8,275	(5.6)
ALLL Expenses - Credit Risk	(8,164)	(9,164)	(10,413)	27.5	13.6	(23,547)	(32,221)	36.8
ALLL Expenses - Impairment	(363)	(93)	(1,230)	238.6	–	(795)	(4,900)	516.5
ALLL Expenses - Discounts Granted	(306)	(391)	(445)	45.4	13.9	(1,176)	(1,686)	43.4

Credit Risk – up 13.6% compared to the previous quarter and 27.5% in relation to 4Q22.

Year-to-date results were impacted by the following events:

(i) reprofiling of client debt in the large corporate segment, which occurred in 1Q23, with the deconstitution of a provision in the amount of R$2,546 million and concomitant recognition of loss due to impairment of debentures arising in the context of the change in the debt profile (from credit operations to securities);

(ii) in 2Q23 and 3Q23, BB made additional provisions in the operations of the large corporate company that filed for judicial reorganization in January 2023, totaling 100% of its exposure;

iii) in 4Q23 there were worsening credit risks in the Companies segment that required an increase in provisions.

Impairment – totaled R$4.9 billion, an increase of 516.5% in 2023, mainly explained by the debt reprofiling (1Q23) and risk increase in the Companies segment (4Q23), as described above.

Recovery of Write-Offs – down 1.2% compared to 3Q23 and 8.5% in relation to the same period last year. In year-to-date (2023), down 5.6% compared to 2022.

Discounts Granted – up 13.9% QoQ and 45.4% YoY. In year-to-date (2023), the growth, compared to the same period of the previous year, was 43.4%.

Fee Income

Fee income was R$8.7 billion in the 4Q23, up 0,9 % QoQ. Capital markets (+66.4%), loans (13.3%) and consortium (2.8%) stood out, with more than 140 thousand new quotas sold with a turnover of R$10.8 billion in one quarter.

In the year-to-date, there was growth of 4.6%, with positive performance in most business lines, highlighting the increase in consortium and insurance, pension plans and premium bonds.

Table 5. Fee Income – R$ million

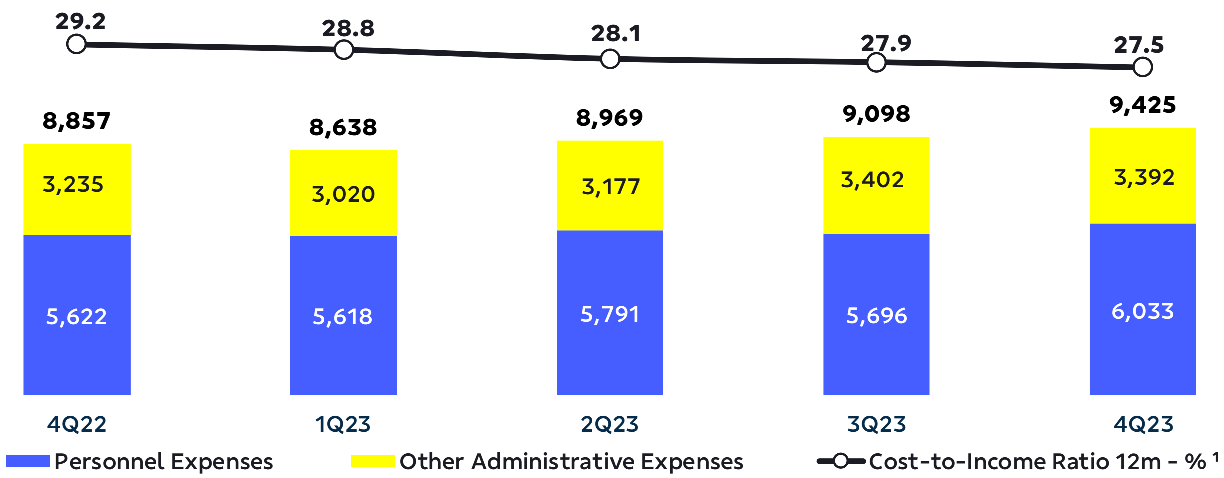
	4Q22	3Q23	4Q23	Δ% Y/Y	Δ% Q/Q	2022	2023	Δ% YTD
Fee Income	**8,437**	**8,670**	**8,744**	**3.6**	**0.9**	**32,333**	**33,831**	**4.6**
Asset Management	2,042	2,151	2,062	1.0	(4.1)	8,337	8,304	(0.4)
Checking Account	1,660	1,673	1,659	(0.1)	(0.8)	6,385	6,533	2.3
Insur., Pens. Plans & Premium Bonds	1,359	1,418	1,377	1.4	(2.9)	5,056	5,382	6.4
Loans and Guarantees	651	642	728	11.8	13.3	2,267	2,560	12.9
Credit/Debit Cards	624	705	648	3.9	(8.1)	2,416	2,645	9.5
Consortium Management Fees	548	658	676	23.4	2.8	1,966	2,513	27.8
Collections	376	331	323	(14.1)	(2.3)	1,514	1,383	(8.6)
Billings	256	245	248	(3.1)	1.2	1,019	1,000	(1.8)
Contract Processing	230	247	250	8.7	1.2	853	972	14.0
Subsidiaries Abroad	226	194	230	1.6	18.3	848	869	2.5
Capital Market	185	154	257	38.6	66.4	665	608	(8.6)
Nat. Treasury & Manag. of Official Funds	90	81	82	(8.6)	2.1	359	333	(7.3)
Foreign Exchange Services	61	60	55	(9.2)	(7.2)	248	232	(6.3)
Other	128	111	148	15.5	32.7	401	497	23.8
Business Days	62	64	61	(1.6)	(4.7)	251	249	(0.8)

Administrative Expenses and Cost-to-Income Ratio

In 4Q23, administrative expenses were R$9.4 billion, up 3.6% QoQ, due to the increase of 5.9% in Personnel Expenses, partially offset by the 0.3% decrease in Other Administrative Expenses.

In YTD comparison, administrative expenses grew 7.5%, within the range of the Corporate Projections, influenced by the collective bargaining of the banking category and the hiring of new employees in the last quarter of the year, some of them technology professionals, in addition to investments in IT. The cost-to-income ratio accumulated in 12 months was 27.5%, the best in the time series.

Figure 2. Administrative Expenses – R$ million



(1) Cost-to-Income Ratio: Administrative Expenses / Operating Income. Data referring to the Income Statement with Reallocations.

Capital Adequacy Ratio

The Basel Ratio was 15.47% in December 2023. The Tier I capital ratio was 13.91%, and core capital was 12.12% in the period. The Reference Equity, which takes into account the requirements for calculating Basel's regulatory capital, reached the amount of R$174.0 billion, a reduction of 2.6% in 12 months.

Figure 3. Capital Adequacy Ratio – %

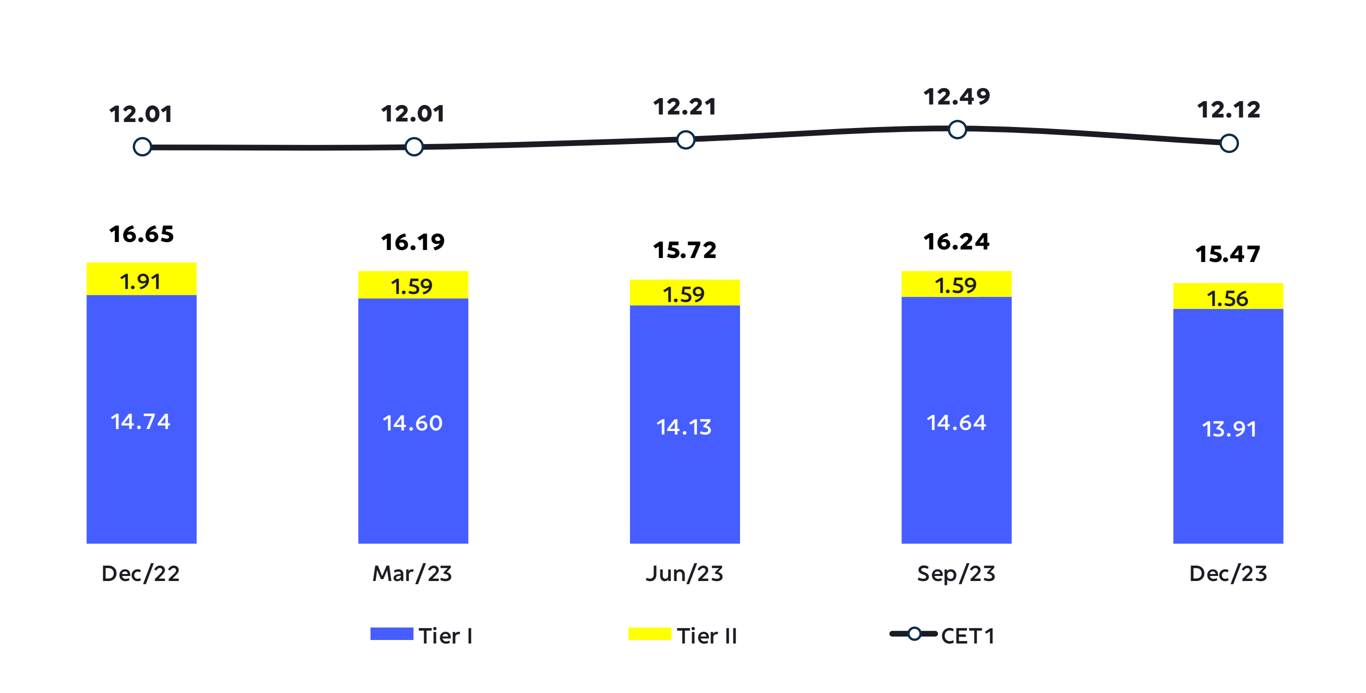


Figure 4. Changes in Common Equity Tier 1 (CET1)- %

Loan Portfolio

Credit Volume

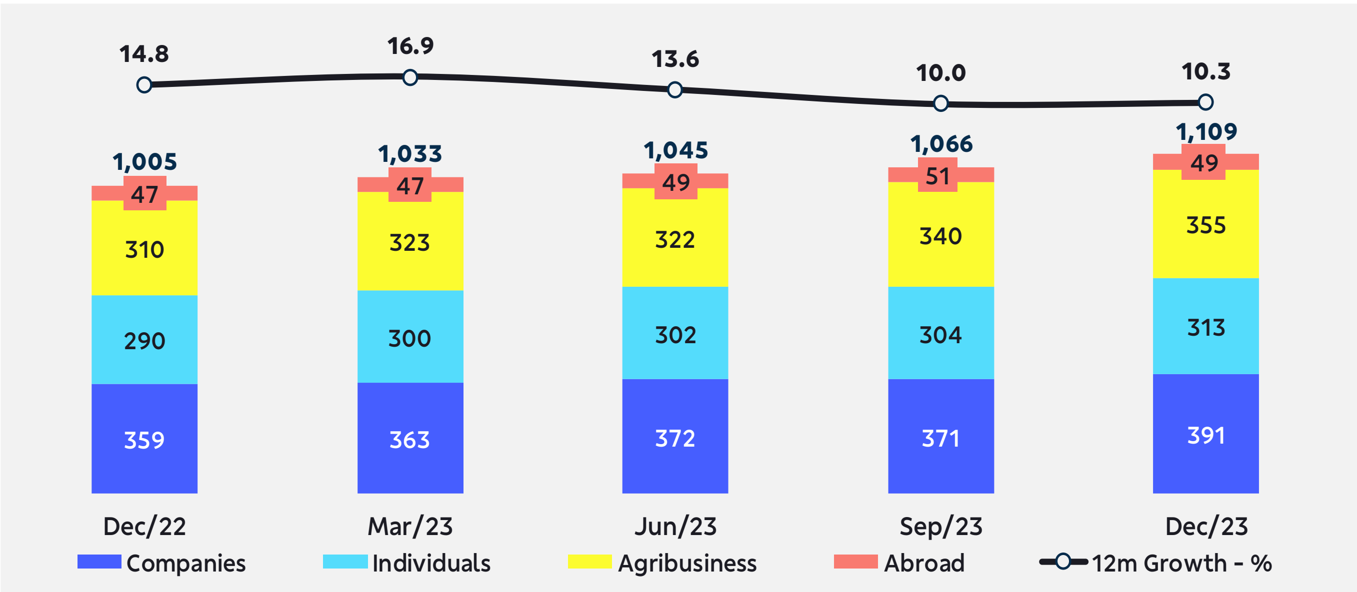
The expanded loan portfolio, which includes, in addition to the classified portfolio, private securities and guarantees provided, totaled R$1.11 trillion in December/23, up 4.0% in the quarter and 10.3% in the year.

The individuals expanded portfolio grew 2.9% QoQ and 8.1% YoY, mainly due to the performance of payroll loans (+2.5% QoQ and +9.8% YoY).

The companies expanded portfolio grew 5.2% QoQ and 9.0% YoY, highlighted by the performance of working capital (+3.0% QoQ and +7.6% YoY) and investments (+4.4% QoQ and +20.7% YoY).

The agribusiness expanded portfolio grew 4.5% QoQ and 14.7% YoY and mainly reflects growth in working capital for input purchase (+5.6% QoQ and +15.3% YoY), agricultural investment (+6.6% QoQ and +23.4% YoY) and agro securities and guarantees (+14.8% QoQ and +48.1% YoY).

Figure 5. Expanded Loan Portfolio – R$ billion

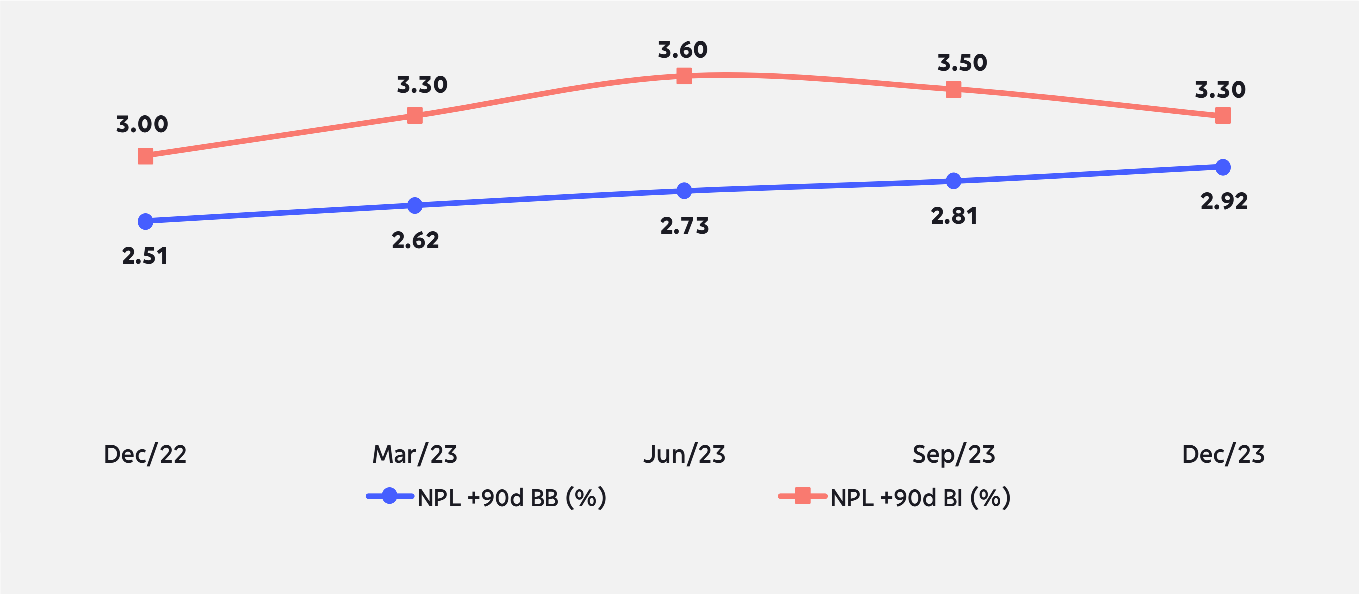


Credit Quality

The NPL+90d (ratio between operations overdue for more than 90 days and the balance of the classified loan portfolio) increased moderately in the quarter, reaching 2.92%, below the Banking Industry in Brazil.

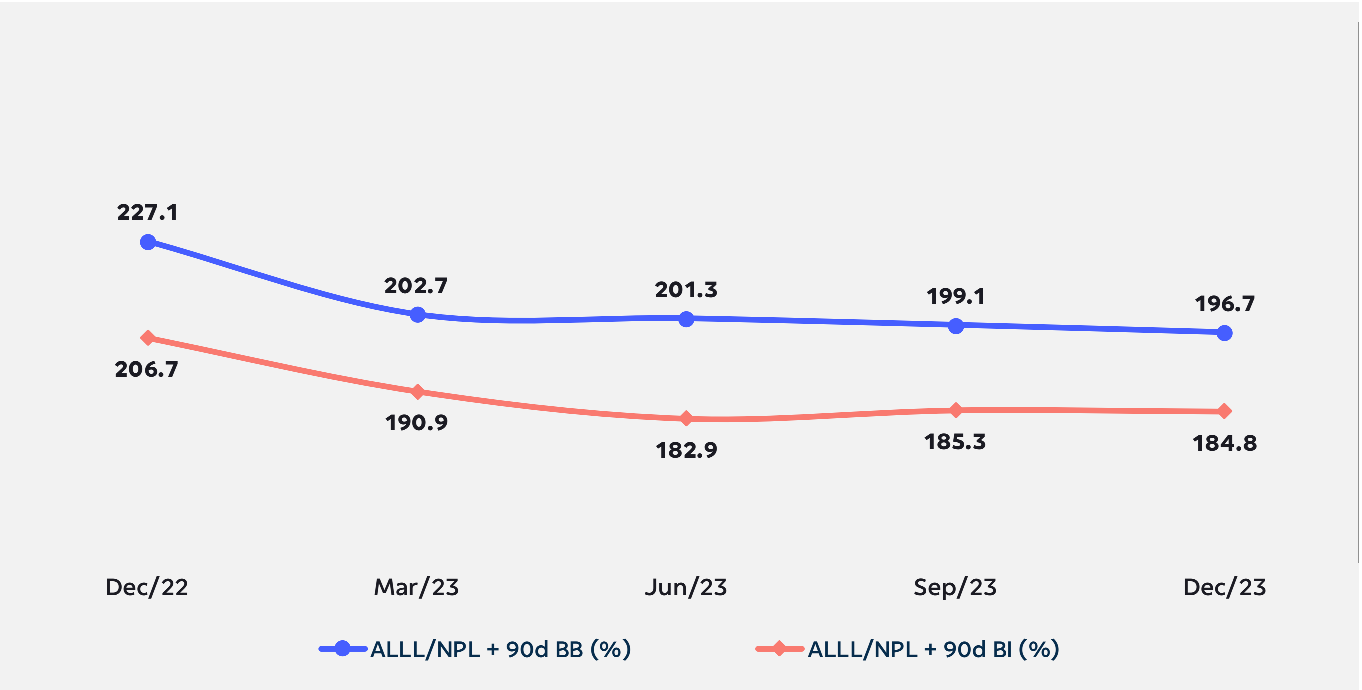
Without considering the specific case of the company in the large corporate segment that filed for judicial recovery in January 2023 (and defaulted partly in June/23 and partly in December/23), the NPL+90d would be 2.65% in June/23, 2.63% in September/23 and 2.75% in December/23.

Figure 6. NPL +90d of Classified Loan Portfolio – %



Banco do Brasil's coverage ratio ended December at 196.7%, remaining above the Banking Industry in Brazil.

Figure 7. Coverage Index of Classified Loan Portfolio – %



Guidance

Banco do Brasil's guidance is prepared and presented for the reference year, with a quarterly appraisal

The estimates are based on management's current expectations and projections about future events and financial trends that may affect the BB Conglomerate's business and are not a guarantee of future performance, in addition, they involve risks and uncertainties that may go beyond control of Management, and may, therefore, result in balances and results different from those presented.

This sense, in the year of 2023, the following indicators showed variation in relation to the guidance for the year: (i) Net Interest Income: performance influenced by positive results in treasury, notably by Banco Patagonia; and (ii) ALLL Expanded View: influenced by the increasing of credit risk in the companies segment.

Management's expectations and projections are linked to market conditions (technological changes, competitive pressures on products, prices, among others), the country's general economic performance (interest and exchange rates, political and economic changes, inflation, changes in legislation taxation, among others) and international markets.

Figure 8. 2023's Guidance

Guidance

2023

	Presented	Guidance
Loan Portfolio Expanded View[1]	10.5% ✓	9% to 13%
Individuals	8.1% ✓	7% to 11%
Companies	8.5% ✓	8% to 12%
Agribusiness	14.7% ✓	14% to 18%
Net Interest Income	27.4% ↑	22% to 26%
ALL Expanded View	R$ billion -30.5 ↑	R$ billion -27 to -23
Fee Income	4.6% ✓	4% to 8%
Administrative Expenses	7.5% ✓	7% to 11%
Adjusted Net Income	R$ billion 35.6 ✓	R$ billion 33 to 37

1) The credit projections consider the domestic classified portfolio added private securities and guarantees and do not consider government credit.

Guidance 2024

The guidance for 2023 have been prepared based on the following assumptions:

Assumptions under Management control

a) Preservation of current business model;

b) Optimization of capital allocation;

c) Focus on relationship, being the main solution provider, in order to enhance CX and the Bank’s results;

d) Actions guided by sustainability, promoting ESG business and social development;

e) Investments in digital acceleration;

f) Emphasis on improving operational efficiency and expenses' control.

Assumptions that are not under management control

a) Regulatory changes that may impact the business;

b) Level of domestic and global economic activity;

c) Domestic macroeconomic policy structure maintenance;

d) Unemployment level.

Figure 9. 2024's Guidance

1) The credit projections consider the domestic classified portfolio added private securities and guarantees and do not consider government credit.

In addition to the inclusion of a new ESG item in its 2024's Guidance, Banco do Brasil renewed and revised its long-term commitments for a More Sustainable World and became ambassadors for three movements of the UN Global Compact: Women Lead 2030, Race is a Priority and Living Wage.

Figure 10. Commitments to Sustainability