Risk Management Report – Pillar 3

4Q23

bradesco

Historical Resubmission

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Some numbers included in this report have been subject to rounding adjustments.

As a result, some amounts indicated as total amounts in some tables may not be the arithmetic sum of the preceding numbers.

Additionally, the values indicated as percentage variation in some tables may not be the arithmetical application of the preceding numbers.

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Presentation of the Report

1. Presentation of the Report

Financial market globalization has prompted the appearance of financial activities and instruments that are outside the reach of domestic bank oversight authorities. On the other hand, differences in national regulations to which banks were subject created inequalities in international competitive conditions. To mitigate the effects of these gaps and conditions, the Basel Committee on Banking Supervision was create in 1974 with the mission of promoting international convergence in capital standards and bank management practices. The need to add other financial segments to the convergence process led to the creation of the Financial Stability Board, in 2009, to coordinate the work of the Basel Committee and other financial activity supervisory bodies.

Currently, the banking segment guidelines defined by these two bodies are organized in accordance with a structure known as "the three pillars":

Pillar 1 – Capital Requirement: Sets the minimum capital standards to be required from the banks, as well as the methodologies to be used to measure credit, market, and operational risks.

Pillar 2 – Supervision Process: Establishes the performance principles of the banking system supervisors and sets criteria to address risks not covered under Pillar 1. The risk management processes are also included in this part of the guidance.

Pillar 3 – Market Discipline: Recommends banks to disclose broadly a set of basic information in such a manner as for financial market participants to be able to undertake well-grounded assessments of the risks these institutions incur.

The Banco Bradesco Pillar 3 report complies with Basel Committee on Banking Supervision's recommendations (Pillar 3 – Market Discipline) and other Central Bank of Brazil's (BCB) rules, as required by Resolution 54/20. This report seeks to provide stakeholders with information access on Bradesco Organization (herein also referred to as "Organization") risk management, presenting a detailed picture of the procedures and controls of the main risks to which it is exposed, thus allowing market agents to appraise the Organization capital adequacy.

The Organization believes that risk management is essential to enable the long-term stability of financial institutions and that transparency in the information disclosure strengthens the Organization's Risk Culture, contributing to the solid health of the national financial system and society in general. As a consequence of the continuous risk management process and adoption of the best practices, the Organization was the first financial institution[1] in Brazil authorized by the BCB, since January 2013, to use its internal market risk models to calculate regulatory capital, which were already in use for managerial purposes.

It is recommended that this Report be read with other documents disclosed by the Organization, such as the Report on Economic and Financial Analysis, the Consolidated Financial Statements and the Appendix indicated in this document[2], which presents other information about the Organization's activities. For more information, access our Investor Relations website at www.bradescori.com.br.

[1] As per BIS document named "Regulatory Consistency Assessment Programme (RCAP) – Assessment of Basel III regulations in Brazil", of December 2013.

[2] The information related to the G-SIB (indicators that feed into the Committee's methodology for assessing the systemic importance of global banks) and Remuneration of Directors, will be disclosed according to the terms established by BCB Resolution 54/20, on bradescori.com.br – Market Information – Risk Management.

Presentation of the Report

1.1. Key Indicators

The Organization carries out the risk and capital management aligned to the strategic guidelines, involving the Control and Business areas, according to the Executive Board and the Board of Directors guidance, aiming to provide conditions to the Organization strategic targets achievement and support the inherent risk to its activities.

Below are presented the Organization key indicators, obtained under the viewpoint of the Prudential Conglomerate:

Total Capital Ratio	Tier I Ratio	Common Equity Tier Ratio	Leverage Ratio
15.8%	**13.2%**	**11.7%**	**7.3%**
-0.2 p.p. in the quarter	**-0.2 p.p.** in the quarter	**-0.1 p.p.** in the quarter	**-0.2 p.p.** in the quarter
3Q23: 16.0%	3Q23: 13.4%	3Q23: 11.8%	3Q23: 7.5%
Total RWA[1]	**Credit Risk RWA[1]**	**Market Risk RWA[1]**	**Operational Risk RWA[1]**
R$ 947,738	**R$ 842,400**	**R$ 18,957**	**R$ 86,381**
+0.6% in the quarter	**+0.9%** in the quarter	**-10.2%** in the quarter	Without changes in the quarter
3Q23: R$ 942,435	3Q23: R$ 834,953	3Q23: R$ 21,101	3Q23: R$ 86,381
	LCR	**NSFR**	
	191.6%	**126.7%**	
	+9.1 p.p. in the quarter	**+1.7 p.p.** in the quarter	
	3Q23: 182.5%	3Q23: 125.0%	

RWA' Quarterly Evolution[1]

The minimum regulatory requirements determined by Central Bank of Brazil are presented below:

Índice de Basileia[2]	Índice de Nível I[2]	Índice de Capital Principal[2]
11,50%	**9,50%**	**8,00%**
a partir de abril/2022	a partir de abril/2022	a partir de abril/2022
Razão de Alavancagem[3]	**LCR[4]**	**NSFR[5]**
3,0%	**100%**	**100%**
a partir de janeiro/2018	a partir de janeiro/2019	a partir de outubro/2018

[1] Amount in million (BRL).
[2] The Total Capital Ratio, the Tier I Ratio and the Common Equity Tier I Ratio encompass the Additional CET1 buffer requirements of Conservation, Systemic and Countercyclical, as per the CMN Resolution 4,958/21 and BCB Circular 3,768/15 and 3,769/15, respectively.
[3] The minimum requirement for the Leverage Ratio was defined by CMN Resolution 4,615/17.
[4] The minimum requirement for the LCR was defined by CMN Resolution 4,401/15.
[5] The minimum requirement for the NSFR was defined by CMN Resolution 4,616/17.

2. Risk Management

The activity of risk management is highly strategic due to the increasing complexity of products and services and the globalization of the Organization business. The dynamic nature of the market is conducive to the constant improvement of risk management activity.

The Organization conducts corporate risk control in an integrated and independent manner, preserving and valuing an environment of collective decision-making in which methodologies, models and tools to measure and control risks are developed. Promotes the dissemination of the risk culture to all employees, at all hierarchical levels, from business areas to the Board of Directors.

2.1. Key Prudential Metrics

Since January 2015, financial institutions based in Brazil calculate their capital requirements on a consolidated basis with the institutions that are part of their Prudential Conglomerate.

The following table shows the prudential key metrics related to regulatory capital, leverage ratio and liquidity.

Key Metrics (KM1)

		a	b	c	d	e
	R$ million	**Dec-23**	**Sep-23**	**Jun-23**	**Mar-23**	**Dec-22**
	\\ Available capital (amounts)					
1	Common Equity Tier I (CET1)	110,689	111,642	109,281	104,600	106,501
2	Tier I	125,412	126,704	123,250	118,614	120,624
3	Total Capital	149,969	150,715	148,608	142,648	144,283
3b	Excess of resources invested on permanent assets	-	-	-	-	-
3c	Total Capital Detachments	-	-	-	-	-
	\\ Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	947,738	942,435	956,140	945,116	971,611
	\\ Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio	11.7%	11.8%	11.4%	11.1%	11.0%
6	Tier I ratio	13.2%	13.4%	12.9%	12.6%	12.4%
7	Total Capital Ratio	15.8%	16.0%	15.5%	15.1%	14.8%
	\\ Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement	0.0%	0.0%	0.0%	0.0%	0.0%
10	Systemic capital buffer requirement	1.0%	1.0%	1.0%	1.0%	1.0%
11	Total of bank CET1 specific buffer requirements [1]	3.5%	3.5%	3.5%	3.5%	3.5%
12	CET1 available after meeting the bank's minimum capital requirements	3.7%	3.8%	3.4%	3.1%	3.0%
	\\ Leverage Ratio (LR)					
13	Total exposure	1,714,043	1,690,873	1,664,284	1,644,824	1,639,736
14	LR	7.3%	7.5%	7.4%	7.2%	7.4%
	\\ Liquidity Coverage Ratio (LCR)					
15	Total high-quality liquid assets (HQLA)	248,691	239,319	212,771	207,280	198,601
16	Total net cash outflow	129,798	131,141	119,212	125,459	124,039
17	LCR ratio	191.6%	182.5%	178.5%	165.2%	160.1%
	\\ Net Stable Funding Ratio (NSFR)					
18	Total available stable funding (ASF)	934,325	910,527	888,265	874,293	877,735
19	Total required stable funding (RSF)	737,181	728,245	721,727	720,798	728,634
20	NSFR ratio	126.7%	125.0%	123.1%	121.3%	120.5%

(1) The no comply with Additional CET1 buffer rules causes restrictions on the dividends payment and interest on shareholders' equity, net surplus, share repurchase, reduction of capital, and variable compensatio to its administrators.

Comments

Increase of 0.8 p.p. in the Tier I ratio (vs. Dec22) due to the generation of net income, adjustments of equity valuation and reduction of risk-weighted assets (RWA), partially offset by the payment of interest on shareholders' equity and effect of prudential adjustments.

2.2. Bank Risk Management Approach

2.2.1. Scope of Risk Management

The scope of the Organization risk management achieves a broadest view, allowing the risks of the Economic-Financial Consolidated[3] to be supported by the Risk Management Corporate Process (chapter 2.2.4). For this purpose, the Organization is structured through the three lines model in which all contributes in order to achieve the objectives with a reasonable margin of security:

- **First line,** represented by businesses and support areas, responsible for identifying, reporting and managing inherent risks as part of day by day activities, besides that, responsible for controls execution, in response to risks, and/or for defining and implementing action plans to ensure the effectiveness of the internal control environment while maintaining risks within acceptable levels;
- **Second line,** represented by oversight areas, responsible for establishing risk management policies and compliance procedures for establishment and/or monitoring of first line, in addition to the activities and responsibilities associated with independent model validation. In this line, may be highlighted the "Integrated Risk Control Department", "Compliance, Conduct and Ethics Department", Legal, Corporate Safety, Independent Model Validation area, among others;
- **Third line,** represented by Audit and General Inspectorate Department, which is accountable for independently evaluate the effectiveness of the risk management and internal controls, including how the first and second lines reach their objectives, reporting the results of their work to the Board of Directors, Audit Committee, Fiscal Council and Senior Management.

2.2.2. Risk Appetite Statement (RAS)

Risk appetite refers to the types and levels of risks that the Organization is willing to accept in the conduct of its business and objectives. The Risk Appetite Statement (RAS) is an important tool that synthesizes Organization's risk culture.

At the same time, RAS emphasizes the existence of an effective process of responsibilities in the operational management of risks and in the execution of control functions, as well as for mitigating and disciplinary actions, escalation procedures and notification to the Senior Management when the risk thresholds and established control processes are breached.

[3] Includes the regulatory scope of the Prudential Conglomerate and other companies in the Consolidated.

Risk Management

The Risk Appetite Statement is annually[4] reviewed or whenever it is necessary by the Board of Directors, besides being continuously monitored by Senior Management's forums, as well as by business and control functions.

The RAS reinforces the dissemination of risk culture by enabling all your members to be aware of the main aspects of Organization's risk appetite.

Risk Appetite Dimensions

For the various types of risks, which are measurable and non-measurable, the Organization has established controls approaches, observing the main global dimensions:

Solvency: the Organization seeks to maintain, on a permanent basis, a solid capital base to support the development of activities and to address the measurable incurred risks (in normal or stressful conditions), as well as to withstand any losses arising from risks that do not have capital allocation and to enable possible strategic acquisitions. In order to meet this objective, capital buffers have been established, which are part of the risk appetite framework and are defined and approved by the Board of Directors.

The Organization established Total Capital, Tier I, Common Equity Tier I and Leverage Ratios as the indicators monitored in this dimension.

Liquidity: the Organization aims be able to honor efficiently its obligations through pulverized and low cost sources of funding, to ensure a cash structure compatible with the size of its obligations, assuring survival in adverse scenarios, without affecting its daily operations and without incurring significant losses.

For this dimension, Long and Short Term monitoring indicators have been established. The Liquidity Coverage Ratio indicator (LCR) for short term correspond to the ratio between the stock of High Quality Liquidity Assets (HQLA) and the total net outflow, calculated as per the stress scenario standardized by the Central Bank of Brazil. The Net Stable Funding Ratio (NSFR) for long term, correspond to the ratio between the available stable funding and the required stable funding.

Profitability: the Organization zeal for sustainable growth of its businesses and results and the adequate remuneration of its capital, seeking to meet the shareholder's remuneration expectation in relation to the risks incurred in its business.

The Organization monitors the main performance indicators in periodically basis by line of business, segments and products. Based upon these indicators, a number of analyzes, projections and studies are made in order to inform the business areas and Senior Management about the individual and consolidated results, thus allowing conscious decision-making and eventual strategic reviews.

Credit: the Organization focuses on domestic customers, in a diversified and pulverized manner, both in terms of products and segments, striving for the portfolio's quality and solidness, with guarantees consistent with the undertaken risks, considering the amounts, the purposes and terms of the granted loans and maintaining adequate levels of impairment allowances as well as portfolio concentration.

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[4] The Risk Committee, related to the RAS, has the following attributions: a) assess the risk appetite levels stated in the Risk Appetite Statement and its management strategy, considering the risk individually and on an integrated basis; and b) supervise the fulfillment of the RAS terms by the Senior Management.

Risk Management

The credit risk valuation is performed through the continuous monitoring of portfolios and exposures, covering assessment of its volumes evolution, defaulted loans/restructuring, delinquency, impairment allowances, vintage analysis, capital, comparison with the market, among others. Furthermore, the Organization has a credit approval limits and recovery debts structured governance process.

Regarding to risk appetite, exposure concentration metrics are monitored in Economic Group (name concentration), in Economic Sectors (sectoral concentration) and in Countries (transfer risk). In addition to the concentration indicators, indicators were established for the delinquency over 90 days for mass segment, for Problematic Credits level and for Credit Risk Economic Capital Margin, with the purpose of monitoring and control the capital requirement in the economic and regulatory perspectives.

Market: the Organization aims to align the exposures to the strategic guidelines, with specific limits established in an independent manner and with the risks properly mapped, measured and classified as to probability and magnitude.

The possibility of financial loss is monitored and controlled by the Organization due to the fluctuation of prices and market rates of its financial instruments, since its assets and liabilities portfolios may present mismatches of maturities, currencies and indexes. Considering the dynamics of this type of risk and the characteristics of each investment portfolio, the Organization has established a number of risk limits and results.

Regarding to Trading Book, the risk appetite includes Value at Risk (VaR), Stress Scenarios, Monthly and Quarterly Result Management (negative). For the Banking Book, ΔEVE Internal Model, ΔEVE Outlier Test, ΔNII Internal Model and Evolution of Market Valued Positions are monitored.

Operational: the Organization acts towards to provide assurance regarding suitable conduct to the Organization's businesses, observing compliance to the law, regulations and rules, ensuring that processes comprise efficient controls.

Given the wide range of products and services offered, as well as an expressive volume of activities and operations performed, the Organization may incur on losses resulted by failures, internal process deficiency or inadequacy, personnel and systems, or external events.

Regarding this, within the Prudential Conglomerate framework, the Organization set appetite limits and tolerance to operational losses, monitored on a monthly basis. Additionally, the Organization established a monitor availability indicator of the main service channels and systems, aiming to provide an ongoing readiness on customer service.

Cybersecurity: The Organization works to ensure that its assets and critical IT infrastructure have their security protected and can withstand cyber incidents such as attacks, intrusions, and data leaks. To meet these objectives, the Organization is based on the pillars of Information and Cyber Security structured as Confidentiality, Integrity, and Availability, which are followed in the adoption of best market practices in processes, methodology, and controls for the identification and management of cybersecurity risk as well as the prevention and treatment of information security and cyber incidents.

The Organization uses internal and external sources of information about new types of threats, vulnerabilities, cyberattacks, and market standards in its internal model to determine its appetite for cybersecurity risk.

Social, Environmental and Climate: sustainability is one of the Organization's strategic pillars, reinforcing our purpose of creating opportunities for people's fulfillment and the sustainable development of companies and society. The financial sector plays a key role in allocating resources for a greener and more inclusive economy. Social, environmental and climate aspects are integrated into our operating strategy, encompassing our operations and business. From the risk management perspective, we have defined a set of sectoral guidelines including prohibitive and restrictive measures that guide the Organization's activities.

Reputation: the Organization monitors its reputation before clients, employees, regulator, investors and the market in general, aiming to assure the timely identification and assessment of potential sources of this risk and act a preventive manner for its mitigation.

The reputational risk control aims to ensure that the Organization monitors and assesses the various stakeholders' perception, seeking to detect potential sources of risk on reputation and if necessary take actions on a timely basis in order to mitigate.

This risk control is performed through a Consolidated Index of Reputation, subdivided into dimensions, from which is possible to determine the Organization's reputation vis-a-vis customers, employees, regulators, investors and market in general.

Model: The Organization uses models to support decision process, financial and regulatory reporting and to provide predictive information in various businesses' areas. In this context, the Organization recognizes the existence of the associated risk using models and the importance of its management process.

The Organization manage and control model risk through assessment, inventory and classification relevance and model risk, supported by governance processes.

Qualitative Risks: in addition to the risks described above, the Organization is exposed to the risks of Step-in, Strategy, Insurance, and Compliance. These risks are managed through processes and a governance structure that is comprised of Departmental Commissions, Executive Committees and Senior Management. The management of these risks is supported by policies, standards and procedures that contribute to their adequate management and control.

Risk Appetite Monitoring

The risk appetite monitoring takes place through effective control processes, in which managers are informed about the exposures to risks and the respective usage of current limits. The report is carried through an alert system, which eases communication and highlights exceptions to the limits, which requires discussion, authorization for the exceptions and/or adequacy measures, permeating all Organization's spheres, supporting the Senior Management in the assessment whether the results are consistent with the risk appetite.

2.2.3. Risk Map

Given the complexity and variety of products and services offered to its customers in all market segments, the Organization is exposed to diverse types of risks stemming from both internal and external factors. Thus, it is very important that the Organization constantly monitors all risks in order to provide all stakeholders with security and comfort. The relevant risks for the Organization are listed below:

Risk Management

- **Solvency and Profitability:** Represented by the possibility of the Organization not being able to sustain its operations due to not having sufficient capital or profitability levels to support the development of its activities and guarantee coverage of the risks incurred.
- **Liquidity Risk –** Represented by the possibility of the Organization not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the Organization not being able to trade a position at market price due to its high amount when compared to the usually traded volume or due to some market discontinuation.
- **Credit Risk –** Represented by the possibility of losses due to the borrower or the counterparty not meeting their respective financial obligations under the agreed-upon terms, as well as, the depreciation of the credit agreement, resulting from the downgrading of the borrower's credit rating, the reduction of gains or remuneration, advantages granted in renegotiation, recovery costs, and other amounts related to the counterparty not meeting its financial obligations. Also includes **Transfer (Country) Risk**, represented by the possibility of losses related to non-fulfillment of obligations associated with a counterparty or the mitigating instrument located outside of the Country, including sovereign risk and the possibility of losses due to, issues in the currency exchange of amounts received outside of the Country associated with the operation subject to the credit risk. The **Counterparty's Credit Risk** is represented by the possibility of loss due to the non-compliance by the counterparty with the obligations relating to the settlement of operations involving financial asset trading, including the settlement of derivative financial instruments or decrease of the counterparty's credit standing and **Concentration Risk** is represented by the possibility of loss due to significant exposure to a counterparty, risk factor, product, economic sector, geographic region, mitigator, etc.
- **Market Risk –** Represented by the possibility of financial loss due to fluctuating prices and market interest rates of the Organization's financial assets as its asset and liability portfolios may show mismatched amounts, maturities, currencies and indexes.
- **Operational Risk –** Represented by the possibility of losses arising from faulty, deficient or inadequate internal processes, people and systems, or external events. This definition includes the legal risk associated with the activities carried out by the Organization.
- **Compliance Risk** – It is the risk arising from legal or administrative sanctions, financial losses, reputational damage and others due to non-compliance or failure to observe the legal framework, the infralegal regulation, the recommendations of regulatory bodies and of self-regulatory organizations and ethical conduct codes applicable to the developed activities by the Organization.
- **Cybersecurity Risk** – Represented by the possibility of cyber incidents, including attacks, intrusions and leakage, that could compromise the confidentiality, integrity and/or availability of the Organization’s critical business processes, assets and/or critical infrastructure.
- **Strategy Risk –** Represented by the deterioration possibility in results, capital and/or strategic indicators (in relation to plan) due to business decisions not according with the strategy, inadequate decisions in the process of implementation, as well as lack and/or insufficient reaction to changes in the business environment.

Risk Management

■	**Social, Environmental and Climate Risks –** Represented by potential damages that a business may cause to the society, the environment and climate. These risks, when associated with financial institutions are mostly indirect and result from business relations, including those with the supply chain and customers through financing and investing activities. **Social Risk** comprises the fundamental rights violation, guarantees or harmful acts against the common interest, such as the practice of slave labor and child labor. **Environmental Risk** encompasses environmental degradation and excessive use of natural resources. **Climate Risk** refers to impacts from the transition process to a low carbon economy (transition risk) as well as changes in weather patterns, frequency, and intensity of extreme events (physical risk).
■	**Model Risk –** Represented by the possibility of making inappropriate business decisions, based on a model developed with failures/ deficiencies, or due to inappropriate use.
■	**Step-in Risk –** Represented by the possibility of financial loss, resulting from the Organization's relationships (contractual or not) with subsidiaries, affiliates, parallel structures, parent companies, investment funds, foundations, suppliers and partners not consolidated in the Prudential Conglomerate.
■	**Reputational Risk –** Represented by the loss of credibility before customers, counterparts, government agencies and market or community, resulting from undue and improper actions, acts and behavior.
■	**Insurance Risk –** Resulting from an adverse economic situation, which is contrary to insurance company's expectations upon the preparation of its insurance policy, as well as the uncertainties in estimated provisions.

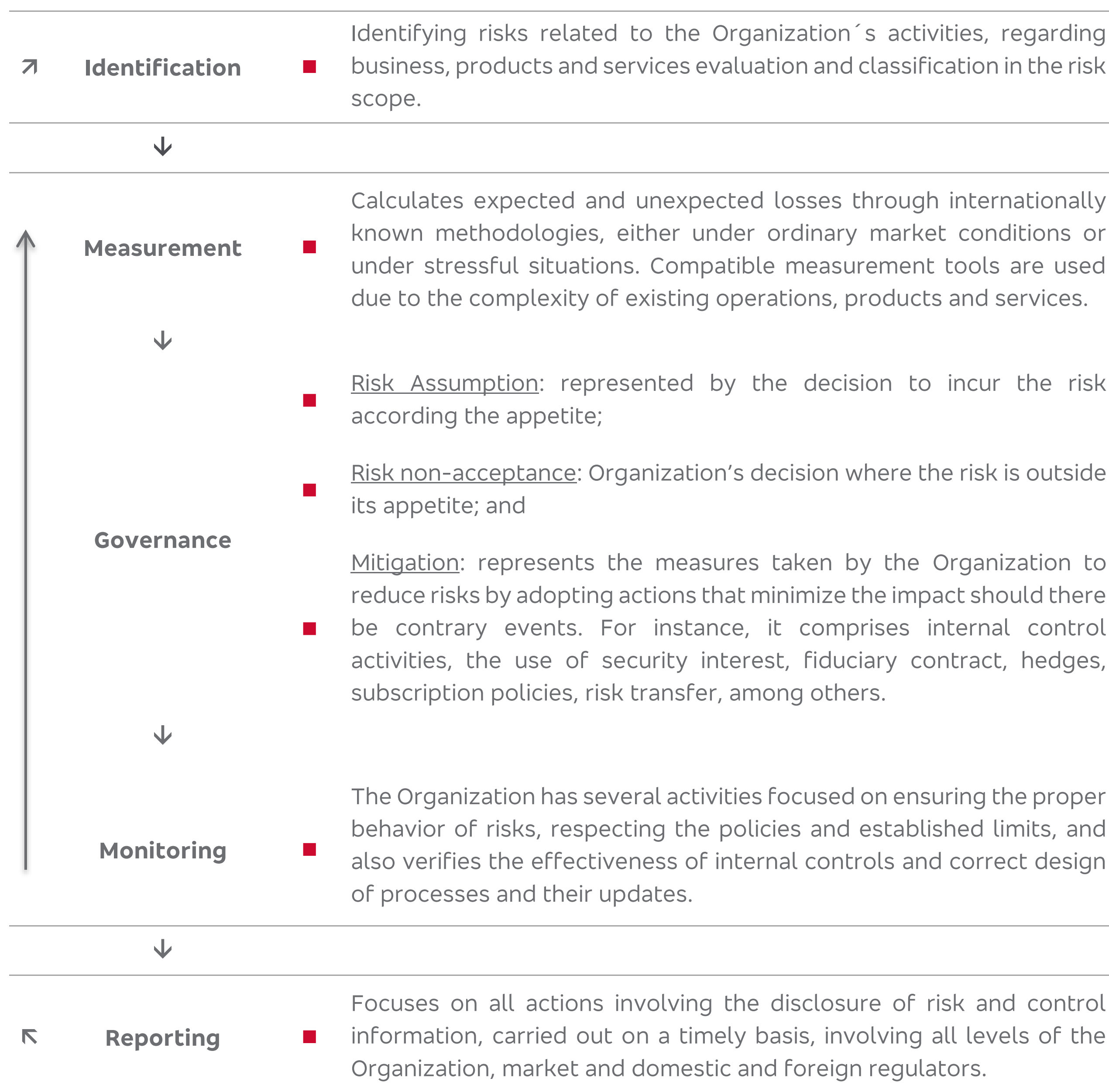
In addition to the risks described in this map and considering the business environment in which the Organization operates, we are constantly monitoring macroeconomic risks that may adversely affect the Organization's exposures. These risks are assessed through consistent processes and a sound governance structure. In this way, the macroeconomic risks identified by the Organization are listed below:

- **Geopolitical, energy and climate risks:** the regional conflicts escalation, the cut in global oil supply and the increased likelihood of extreme climate phenomena, such as super El Niño, could maintain global inflation under pressure and impact the confidence of economic agents, with the potential to negatively affect economic growth;
- **Risk of a more intense economic slowdown in developed economies:** the persistence of the current monetary tightening, the reversal of fiscal stimuli, the beginning of a monetary tightening process in Japan or the worsening of global financial conditions could accentuate the slowdown in economic growth, with possible more intense recession ahead, and reduce investors' risk appetite;
- **Uncertainty regarding economic activity in China:** doubts about the Chinese government's ability (or intention) to stimulate local activity maintain uncertainty about the country's contribution to global growth, especially the demand for commodities;
- **Uncertainties about economic policy:** frustration with tax collection measures, relationship dynamics between government and BCB and renewal of its board, uncertainties in the management of state-owned companies and parafiscal policy are topics that can reflect on the confidence of economic agents;
- **Uncertainty about the size and velocity of the interest rate cut cycle in Brazil:** (i) inflation expectations become unanchored again due to loss of confidence in monetary policy and the cycle is shorter; or (ii) disinflation is faster and BCB can accelerate the interest rate reduction.

Risk Management

2.2.4. Risk Management Corporate Process

The risk management corporate process allows the proactive identification, measurement, mitigation, monitoring and reporting of risks, which is necessary for the complexity of the products and services offered and the profile of the Organization's activities, is made up of the following stages:



Stage	Description
Identification	Identifying risks related to the Organization´s activities, regarding business, products and services evaluation and classification in the risk scope.
Measurement	Calculates expected and unexpected losses through internationally known methodologies, either under ordinary market conditions or under stressful situations. Compatible measurement tools are used due to the complexity of existing operations, products and services.
Governance	Risk Assumption: represented by the decision to incur the risk according the appetite; Risk non-acceptance: Organization's decision where the risk is outside its appetite; and Mitigation: represents the measures taken by the Organization to reduce risks by adopting actions that minimize the impact should there be contrary events. For instance, it comprises internal control activities, the use of security interest, fiduciary contract, hedges, subscription policies, risk transfer, among others.
Monitoring	The Organization has several activities focused on ensuring the proper behavior of risks, respecting the policies and established limits, and also verifies the effectiveness of internal controls and correct design of processes and their updates.
Reporting	Focuses on all actions involving the disclosure of risk and control information, carried out on a timely basis, involving all levels of the Organization, market and domestic and foreign regulators.

2.2.4.1. Internal Controls

The Integrated Risk Control Department (DCIR), through the Internal Controls area, works proactively in managing the risks and controls existing in the processes, in order to keep them at acceptable levels by the Organization.

The Corporate Risk and Control Management methodology is in line with the Frameworks issued by COSO – Committee of Sponsoring Organizations of the Treadway Commission (Internal Control – Integrated Framework and Enterprise Risk Management – Integrated Framework) and with the guidelines established by the Information Systems Audit and Control Association (ISACA) through the Control Objectives for Information and Related Technology (COBIT 5).

The Internal Controls area, in support of the first line areas, challenges the identification and assessment of risks and controls, and the result of this activity is reflected in the Entities' risks maps. Additionally, the Internal Controls area also carries out thematic reviews (Swat Team), with the objective of deepening the control environment evaluation, whose results are presented through specific reports, and the identified risks and weaknesses are incorporated into the risk maps of each Entity.

The risk maps, in turn, are reported monthly to department directors and semi-annually to executive directors, containing information of all risks, deficiencies and action plans under their responsibility Periodically, the Very High and High residual risks are also reported to the Risk Monitoring Committee, Risk Management Committee and Integrated Risk Management and Capital Allocation Committee – COGIRAC, for knowledge or approval, according to the risk governance described in the Internal Controls System Standard of Bradesco Organization.

In addition, an annual report is sent to the Board of Directors and the Audit Committee – COAUD, consolidating the assessments and conclusions of the work carried out by the Internal Controls area.

The activities in the Internal Controls area are carried out by trained professionals, through well-defined processes and technology compatible with the size and structure of the Organization, complexity of products and services negotiated, risk profile and business model, pursuant to CMN Resolution 4,968/21.

2.2.4.2. Risk and Capital Management Policies

Regarding the risk culture dissemination, the Organization has policies, rules and procedures to manage risks and capital. These instruments establish the basic operational guidelines laid out by Senior Management in accordance with the institution’s standards of integrity and ethics and cover all the activities performed by the Organization and associated companies.

Policies, standards and procedures ensure that the Organization is structured in accordance with the nature of its operations, the complexity of its products and services, activities, processes, systems and the dimension of its risk exposure.

The risk and capital management policies are in line with the Organization’s strategic objectives, the best national and international practices and in compliance with laws and regulations issued by oversight bodies. They are reviewed at least once a year by the Board of Directors and disseminated to all employees and associated companies via the corporate portal.

Risk and Capital Management Policies	
	■ Corporate Governance ■ Risk Management ■ Credit Risk ■ Market Risk ■ Liquidity Risk ■ Operational Risk ■ Model Risk ■ Step-in risk ■ Strategy Risk ■ Business Continuity ■ Corporate Sustainability ■ Capital Management ■ Internal Control ■ Corporate Compliance

The Organization has its Corporate Information Disclosure Policy, which strives to guarantee the stakeholders access to clear and accurate information according to each topic, as well as ensure that the reliability of the information to be disclosed is continuously assessed and confirmed, among others guidelines.

Further details on the Corporate Information Disclosure Policy are available on the Investor Relations website (bradescori.com.br – Corporate Governance – Corporate Bylaws, Policies, Guidelines and Indemnity Agreements – Policies and Guidelines).

2.2.4.3. Risk and Capital Management Structure

The risk and capital management structure is made up of several committees, commissions and departments that assist the Board of Directors, the CEO (Chief Executive Officer), the CRO (Chief Risk Officer) and the Board of Executive Officers in their strategic decision-making process.

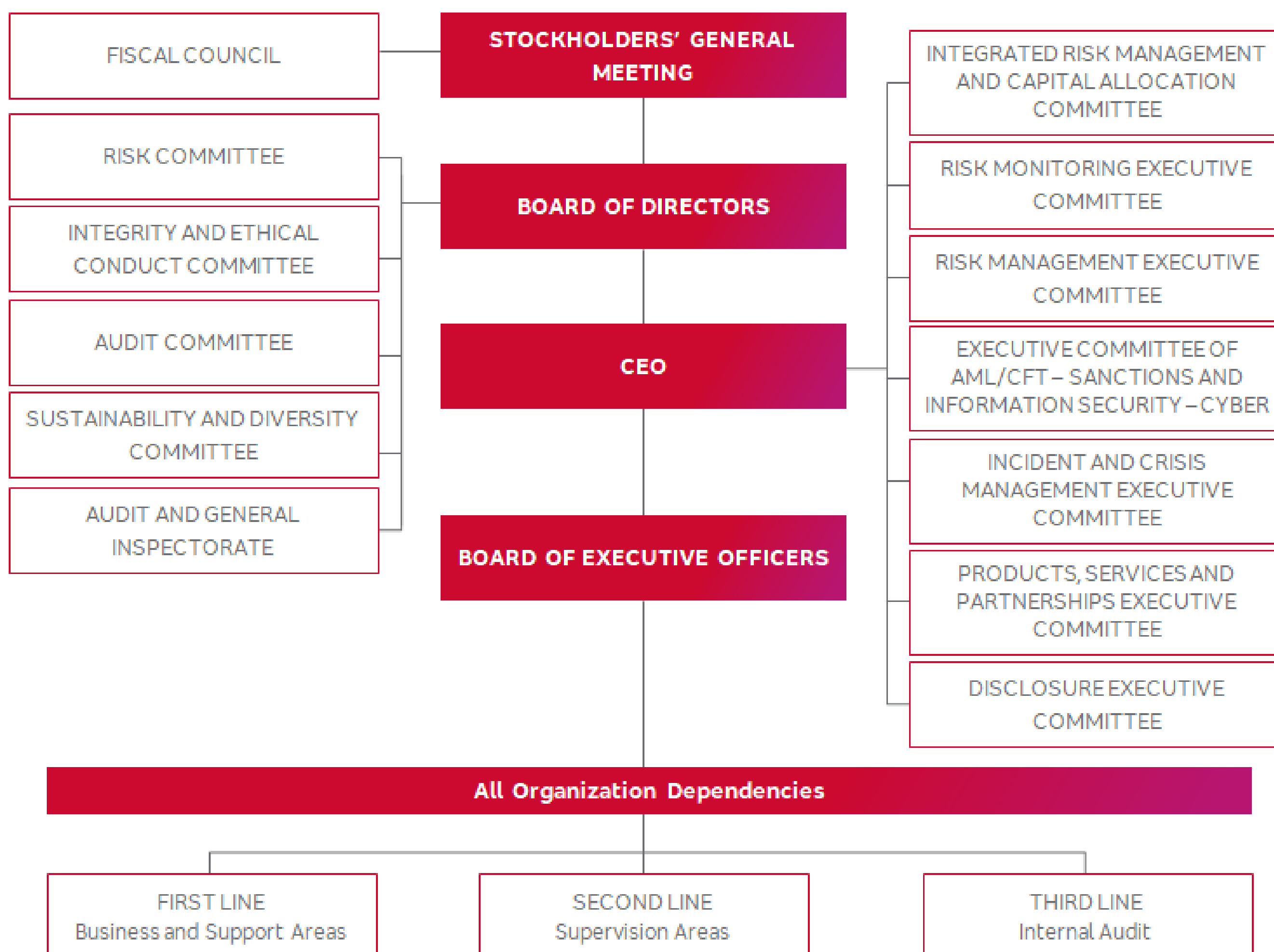
The Organization has the Integrated Risk Management and Capital Allocation Committee – COGIRAC, which supports the CEO on the performance of its attributions related to the management and control of all risks and the Organization's capital.

This risk management structures also includes, with the Executive Committees of: a) Risk Monitoring, b) Risk Management, c) AML/CFT – Sanctions and Information Security – Cyber Executive Committee. In addition, it also is supported by the Products, Services and Partnerships Executive Committee and the Executive Committees in business areas which, among other duties, suggest exposure thresholds for their respective risks and prepare mitigation plans to be submitted for evaluation by the Risk Committee and deliberation by the Board of Directors.

Risk Management

Additionally, the Risk Committee is responsible for evaluating the Organization's risk management framework and, occasionally, to propose improvements, and challenging the Organization's risk structure in the face of new trends and/or threats, as well as advising the Board of Directors in the performance of its duties in the management and control of risks and capital.

The Organization’s Board of Directors approved the information disclosed in this report regarding the Risk and Capital management structure description.



3. Risk and Capital Management Governance

All the levels of the Organization participate in its corporate governance with the aim of optimizing the company's performance and safeguard stakeholders' interests, also facilitating access to capital, adding value to the Organization and contributing to its sustainability, mainly through transparency, equal treatment and accountability. This framework complies with guidelines laid out by the Board of Directors.

In this context, risk and capital are managed through collegiate decisions based on specific committees. This process relies on the participation of all corporate governance segments, ranging from Senior Management to the diverse business, operational, product and service areas.

Board of Directors	▪ Approves and revises risk management strategies, risk and capital management structures and policies, including risk appetite and exposure limits by types of risk, as well as the stress testing program, its results, scenarios and assumptions applied.
Risk Committee	▪ Evaluates risk appetite levels set in the Risk Appetite Statement (RAS) and the strategies for its management, considering risks individually and in an integrated manner; ▪ Oversees the CRO's activities and performance; ▪ Supervises the fulfillment of the RAS terms by the Senior Management; ▪ Evaluates the levels of adherence of the risk management processes structure to established policies; ▪ Proposes recommendations to the Board of Directors on policies, strategies and limits for risk and capital management, stress testing program, business continuity policy, capital and liquidity contingency plans, and capital planning.
Audit Committee	▪ Revises the integrity of financial statements; ▪ Recommends to the Board of Executive Officers corrections or improvements to policies, practices and procedures identified within the scope of its duties.
Integrity and Ethical Conduct Committee	▪ Ensures that infractions and violations of corporate and sectoral Codes of Ethical Conduct; and breaches of anti-corruption and competitive conduct are followed by applicable disciplinary actions, regardless of hierarchical level, and without prejudice to applicable legal penalties; ▪ Ensures that the Board of Directors is aware of matters that may have a significant impact on the Organization image; ▪ Forwards for deliberation of the Board of Directors, the subjects related to the Organization Directors.
Audit and General Inspectorate	▪ Certifies the business risk management process; ▪ Ensures compliance with policies, rules, standards, procedures and internal and external regulations; ▪ Recommends improvements to the internal control environment.

Risk and Capital Management Governance

Executive Committee	
Disclosure	▪ Supports Senior Management in evaluating the disclosure of transactions and relevant information related to the Organization; ▪ Evaluates reports to ensure they are prepared in accordance with controls and procedures defined for their preparation.
Integrated Risk Management and Capital Allocation (COGIRAC)	▪ Validates and submits for evaluation by the Risk Committee and deliberation of the Board of Directors the appetite and exposure limits by types of risk; ▪ Validates and submits for evaluation by the Risk Committee and deliberation by the Board of Directors the risk and capital management policies; ▪ Validates and submits for evaluation by the Risk Committee and deliberation by the Board of Directors the stress testing program, including the parameters, scenarios, its probabilities, assumptions, its results and the management mitigating actions for the impacts; ▪ Ensures compliance with risk and capital management policies; ▪ Monitors risk profile, performance, capital requirements and sufficiency exposure versus limits and risk control; ▪ Assesses the effectiveness and compliance of Internal Controls System.
Risk – **Risk Monitoring** – **Risk Management**	▪ Guarantee policies compliance and ensure effectiveness of the risk and capital management; ▪ Approve and follow up consideration of definitions, criteria and procedures to be adopted, in addition to methodologies, models and tools used in management and measurement of risk and capital; ▪ Approve and monitor information on risk exposure level, both consolidated and by area; ▪ Evaluate and submit policy, structure, roles and responsibilities, risk appetite, adequacy assessment and capital plan to COGIRAC validation; ▪ Monitor market movements and developments, evaluating the implications and risks and capital; ▪ To be aware of the rules, guidelines and orientations issued by national and international regulatory bodies; ▪ To be aware of the work performed by internal and external audits related to risk management and results related to Independent Model Validation.
Incident and Crisis Management	▪ Evaluates critical incident and crisis events; ▪ Appraises and deliberates on possible actions to mitigate and contain the critical incident and crisis.
AML/CFT – Sanctions and Information Security – Cyber	▪ Guarantees policies compliance and ensure the effectiveness of the corporate security, anti-money laundering and counter-terrorism financing processes; ▪ Evaluates and submit to COGIRAC validation the policy and respective guidelines related to corporate security, money laundering prevention and counter-terrorism financing.

Risk and Capital Management Governance

Products, Services and Partnerships	▪ Ensures that all risks have been pointed out and are acceptable, resolving on the creation, change, suspension or discontinuity of products/services and establishing business partnerships, taking into consideration the customer's profile.
Collection and Recovery	▪ Resolves on proposals for the renegotiation of debts overdue or with potential risk loss; ▪ Approves corporate rules, procedures, measures and guidelines related to the Credit Collection and Recovery; ▪ Defines limits of authorization to approve debt renegotiation.
Credit	▪ Makes collegiate decisions to verify limits or operations involving credit risk, proposed by Organization's Premises and Companies.
Treasury for Asset and Liability Management	▪ Defines strategies for managing assets and liabilities based on an analysis of the domestic and international political and economic scenarios and for Organization's pricing asset, liability and derivative operations; ▪ Evaluates external asset hedging strategies; ▪ Validates the proposed market and liquidity risks exposure tolerance limits and submit them for approval to the Integrated Risk Management and Capital Allocation Committee.
Treasury	▪ Defines Treasury strategies to optimize results based on the analysis of domestic and international economic and political scenarios; ▪ Validates and submits for the Integrated Risk Management and Capital Allocation Committee's approval of the proposals for risks exposure tolerance thresholds to the Treasury Department; ▪ Monitors results, strategies, behaviors and risks of positions carried out by the Treasury Department.
Strategic Planning	▪ Evaluates the corporate strategic positioning and promotes actions necessary to maintain it.

Aiming at the search for the best practices of Governance and Corporate Conduct within the highest ethical standards and principles, it has been created The Compliance, Conduct and Ethics Department (DCCE), whose mission is to ensure that the Organization is aligned with its principles, legal, non-legal, internal and external regulations, contributing to the sustainability and ethics of its business.

Risk and Capital Management Governance

3.1. Stress Testing Program

The risk management framework relies on a stress-testing program, which is defined as a coordinated set of processes and routines, endowed with its own methodologies, documentation and governance, with the main objective of identifying potential institution's vulnerabilities. The stress tests are forward looking exercises of potential impacts of specific events and circumstances on the capital, liquidity or in value of particular portfolio within the Organization.

In the stress test program, scenarios and results are validated by COGIRAC, evaluated by the Risk Committee and deliberated of the Board of Directors, which is also responsible for approving the program and the guidelines to be followed.

Stress tests are used as a tool for risk management, in the identification, measurement, evaluation, monitoring, control and mitigation of the institution's risks. The stress tests results are inputs for assessing the institution's capital and liquidity levels, for the preparation of respective contingency plans, for the capital adequacy assessment and for the recovery plan. Likewise, the results are taken into account in the decisions related to strategic guidelines, in the definition of risk appetite levels and limits applied to risk and capital management, as well as in the definition of governance actions with the objective of mitigating identified risks, aligning them with the Organization's risk appetite.

3.2. Capital Management

The Organization manages capital involving the control and business areas, in accordance with the guidelines of the Board of Executive Officers and Board of Directors, and has a governance structure composed by Commissions, Committees and have the highest level on the Board of Directors.

The Controllership Department is responsible to comply with the determinations of the Central Bank of Brazil, related to capital management activities and support the Senior Management by providing analyses and projections of capital requirements and availability, identifying threats and opportunities that help plan towards the sufficiency and optimization of capital levels.

3.2.1. Capital Management Corporate Process

The Capital Management Corporate Process provides the conditions required to meet the Organization's strategic goals and support the risks inherent to its activities.

The Organization adopts a three years prospective approach when developing its capital plan, forecasting capital needs and setting procedures and contingency actions that might be considered in adverse scenarios, taking into account possible changes in the conditions of the regulatory, economic and business environment in which operates.

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Risk and Capital Management Governance

In order to permanently ensure a solid capital composition to support the development in its activities and ensure appropriate coverage of the risks incurred, the Organization periodically monitors capital projections considering a managerial capital margin (buffer), which is added to the minimum regulatory requirements.

The management buffer definition is aligned to the market practices and regulatory requirements, observing aspects such as additional impacts generated by stress scenarios, qualitative risks and risks not captured by the regulatory model.

The results of the Organization's capital projections are submitted to the Senior Management, pursuant to the governance established. In addition, the Organization's regulatory capital sufficiency is periodically demonstrated by calculating the Total Capital Ratio, Tier I Ratio and Common Equity Tier I Ratio.

3.3. Overview of Risk-Weighted Assets (RWA)

In Brazil, the Central Bank of Brazil determines through CMN Resolution 4,958/21 that institutions must permanently maintain minimum capital compatible with the risks of the operations carried out by them, which refers to the calculation of the capital requirement.

The financial institutions activities risk is represented by the calculation of RWA. The RWA amount is defined by the sum of the following installments:

$$RWA = RWA_{CPAD/CIRB} + RWA_{OPAD} + RWA_{MPAD/MINT}$$

- **$RWA_{CPAD/CIRB}$** – Risk-weighted assets portion relating to credit risk, standard approach/ internal approach;
- **RWA_{OPAD}** – Risk-weighted assets portion relating to operational risk, standard approach;
- **$RWA_{MPAD/MINT}$** – Risk-weighted assets portion relating to market risk, standard approach/ internal approach.

The following table provides an overview of total RWA used to calculate minimum capital requirements, as established in art. 4 of CMN Resolution 4,958/21.

Risk and Capital Management Governance

Overview of Risk-Weighted Assets – RWA (OV1)

		RWA		Minimum capital requirements[2]
		a	b	c
	R$ million	Dec-23	Sep-23	Dec-23
1	**Credit risk (excluding counterparty credit risk)[1]**	**772,767**	**767,622**	**61,821**
2	Of which: standardised approach (SA)	772,767	767,622	61,821
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	**Counterparty credit risk (CCR)**	**23,566**	**21,572**	**1,885**
7	Of which: standardised approach for counterparty credit risk (SA-CCR)	15,702	16,017	1,256
7a	Of which: CEM approach	-	-	-
9	Of which: others	7,864	5,555	629
12	**Equity investments in funds – look-through approach**	**2,617**	**2,785**	**209**
13	**Equity investments in funds – mandate-based approach**	**-**	**-**	**-**
14	**Equity investments in funds – fall-back approach**	**619**	**448**	**49**
16	**Securitisation exposures in banking book**	**1,323**	**659**	**106**
20	**Market Risk[3]**	**18,957**	**21,101**	**1,517**
21	Of which: standardised approach (SA)	13,031	16,757	1,042
22	Of which: internal model approach (IMA)	11,093	11,875	887
24	**Operational Risk**	**86,381**	**86,381**	**6,910**
I	Payments Risk (RWASP)	NA	NA	NA
25	**Amounts for exposures not deducted from total capital calculation[2]**	**41,508**	**41,866**	**3,321**
29	**Total (1+6+12+13+14+16+20+24+I+25)**	**947,738**	**942,435**	**75,819**

(1) Does not include exposures reported in rows 6, 12, 13, 14, 16 and 25.

(2) As established in art. 4 of Resolution 4,958/21.

(3) Composed of a maximum between 80% of the standardised model (SA) and internal model (IMA), according to Circulars 3,646 and 3,674, plus the variation in credit valuation adjustment (CVA), from 3Q23, in accordance with BCB Resolution 229/22.

Comments

The RWA variation in relation to the previous quarter is mainly driven by the increase in the individual credit portfolio and other rights, with an impact on the Credit Risk installment, partially offset by the reduction in exposure to fixed interest rates, reflecting the Market Risk installment.

Linkages Between Financial Statements and Regulatory Exposures

4. Linkages Between Financial Statements and Regulatory Exposures

The regulatory scope for assessing capital sufficiency, since January 2015, is the Prudential Conglomerate, according to the Central Bank of Brazil's regulations. It is worth mentioning, however, that the other companies that are part of the Economic-Financial Consolidated are also part of the Organization's risk management process. For these companies, all the risks inherent to their activities are evaluated, with emphasis on the companies that are part of the Grupo Bradesco Seguros, which also follow regulatory capital standards, either by the Superintendence of Private Insurance (Susep) rules or by the National Regulatory Agency for Private Health Insurance and Plans (ANS), depending on the activity field of each.

The following table allows to identify the differences between the scope published on the financial statements (column a) and the scope of regulatory consolidation (column b). Columns "c" to "g" details the amounts by risk categories.

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

	a	b	c	d	e	f	g
	Dec-23						
			Carrying values of items:				
R$ million	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
\\ Assets							
Cash and cash equivalents	17,332	16,491	16,491	-	-	6,123	-
Financial instruments	1,790,614	1,428,075	1,232,345	193,885	1,791	191,807	54
Leases	4,394	4,394	4,394	-	-	-	-
Provision for Expected Credit Loss Associated with Credit Risk	(54,091)	(53,900)	(53,900)	-	-	-	-
Deferred tax assets	99,363	94,612	74,538	-	-	-	20,075
Investments in associates and Jointly Controlled Entities	9,687	53,250	34,144	-	-	-	19,106
Premises and equipment	20,985	12,148	12,148	-	-	-	-
Intangible assets	47,267	38,092	-	-	-	-	38,092
Depreciation and amortization	(41,869)	(32,900)	(7,151)	-	-	-	(25,749)
Provisions for Impairment of Assets	(2,785)	(2,612)	(1,762)	-	-	-	(850)
Others Assets	24,577	42,926	42,812	-	-	-	114
Total assets [(1)]	**1,915,475**	**1,600,577**	**1,354,059**	**193,885**	**1,791**	**197,930**	**50,841**
\\ Liabilities							
Deposits and other financial instruments	1,321,947	1,379,627	9,273	307,925	-	43,055	1,062,429
Provisions	396,128	29,758	4,078	-	-	855	25,680
Deferred income tax assets	5,272	4,688	-	-	-	-	4,688
Others Liabilities	30,001	23,931	-	-	-	-	23,931
Total liabilities	**1,753,347**	**1,438,003**	**13,352**	**307,925**	**-**	**43,910**	**1,116,727**

(1) The sum of the values reported in columns "c" to "g" may differ from the value reported in column "b", since the values considered for the purposes of prudential regulation may be associated with more than one risk category.

Linkages Between Financial Statements and Regulatory Exposures

The amounts considered in the financial statements (column "a" of table LI1) are not reconciled with the values reported in the regulatory consolidation (column "b" of table LI1), mainly due to the non-consolidation of non-financial companies (with emphasis on the companies that are part of the Grupo Bradesco Seguros) in the regulatory consolidated.

The LI2 table provides information on the main sources of differences between the column "b" amounts of table LI1 and the exposure amounts.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

		a	b	c	d	e
		Dec-23				
			Items subject to:			
	R$ million	Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	1,549,736	1,354,059	193,885	1,791	197,930
2	Liabilities carrying value amount under regulatory scope of consolidation	321,276	13,352	307,925	-	43,910
3	Total net amount under regulatory scope of consolidation	1,871,012	1,367,411	501,810	1,791	241,840
4	Off-balance sheet amounts	184,126	184,126	-	-	-
5	*Differences in valuations*	-	-	-	-	-
6	*Other differences*	47,662	-	47,662	-	-
7	**Exposure amounts considered for regulatory purposes**	**2,102,801**	**1,551,537**	**549,472**	**1,791**	**241,840**

In the line "Other Differences" of the table LI2 considers non-accounting exposures subject to counterparty credit risk (SA-CCR approach).

The following table presents information on the elements considered in the calculation of prudential adjustments, used in the financial instruments process pricing measured at market value, as provided in CMN Resolution 4,277/13.

Prudent Valuation Adjustments – PVA (PV1)

		a	b	c	d	e	f	g	h
		Dec-23							
	R$ thousand	Equity	Interest rates	Foreign exchange	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Closeout uncertainty, of which:	-	-	-	-	-	-	-	-
3	Closeout cost	-	-	-	-	-	-	-	-
4	Concentration	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	54	-	-	-	-	54	54	-
7	Operational risk	-	-	-	-	-	-	-	-
8	Investing and funding costs	-	-	-	-	-	-	-	-
9	Unearned credit spreads	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other	-	-	-	-	-	-	-	-
12	**Total adjustment**	**54**	**-**	**-**	**-**	**-**	**54**	**54**	**-**

Regarding to pricing, the Organization has a careful process and in line with the principles determined by CMN Resolution 4,389/14. The details of this process are described in item 12.3.7 Financial Instrument Pricing.

Capital Composition

5. Capital Composition

According to the rules established by CMN Resolution 4,955/21, the Total Capital of a financial institution is represented by the sum of Tier I and Tier II Capital and will be used in determining its operational limits.

Tier I Capital: seeks to ensure the financial institution solvency, ensuring the continuity of its operation. With the entry into Basel III force, Tier I Capital was divided into two new subgroups:

- **Common Equity Tier I (CET1):** basically composed of shares and reserves;
- **Additional Capital:** basically composed of instruments similar to hybrid capital instruments and debts, with perpetuity characteristic.

Tier II Capital: constitutes instruments similar to hybrid capital instruments and debt, with a minimum maturity of five years.

5.1. Capital Breakdown

The following are details on the required Total Capital of the Prudential Conglomerate, under the regulatory approach.

R$ million	Dec-23	Sep-23	Dec-22
\\ Tier I Capital	**125,412**	**126,704**	**120,624**
Common Equity Tier I	**110,689**	**111,642**	**106,501**
Shareholders' Equity	161,182	160,801	154,263
Non-controlling Interest	272	237	(114)
Prudential Adjustments [1]	(50,766)	(49,396)	(47,649)
Additional Capital	**14,723**	**15,062**	**14,123**
Subordinated Debt (according to CMN Resolution 4,955/21)	14,723	15,062	14,123
\\ Elegible Instruments for Tier II Capital	**24,557**	**24,011**	**23,659**
Subordinated Debt (according to CMN Resolution 4,955/21)	24,557	24,011	23,659
\\ Total Capital	**149,969**	**150,715**	**144,283**

(1) According to CMN Resolution 4,955/21.

For more information and details, see "CC1 – Composition of regulatory capital", "CCA – Main features of regulatory capital instruments" and "CC2 – Reconciliation of regulatory capital to balance sheet", available on the Investor Relations website (bradescori.com.br – Market Information – Risk Management – Exhibits Pillar 3).

Macroprudential Indicators

6. Macroprudential Indicators

As defined by BCB Resolution 171/21, the Organization discloses the calculating of information for the assessment of global systemic importance (IAISG), calculated on a consolidated basis, which establishes an additional capital requirement for financial institutions classified as systemically important.

Disclosure of Global Systemically Important Bank – GSIB Indicators (GSIB1)

For more information and details, see "GSIB1: Disclosure of Global Systemically Important Bank – GSIB Indicators", available on the Investor Relations website (bradescori.com.br – Market Information – Risk Management – Exhibits Pillar 3) within 90 (ninety) days from the base date December 31, according to the deadline defined by BCB Resolutions 54/20 and 171/21.

The table CCyB1 provides an overview of the geographic distribution of credit risk exposures to the private non-banking sector for the purpose of calculating the countercyclical buffer, with the calculation methodology applied according to the rules of BCB Circular 3,769/15.

Geographical distribution of credit exposures used in the countercyclical buffer (CCyB1)

	a	b	c	d	e
	Dec-23				
R$ Million	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
Geographical breakdown		Exposure values	Risk-weighted assets		
BRAZIL (BR)	0.0%	1,487,833	727,116		-
LUXEMBOURG (LU)	0.5%	856	405		2
UNITED KINGDOM (GB)	0.5%	1,203	724		4
SWEDEN (SE)	2.0%	964	475		9
OTHER COUNTRIES	0.0%	24,700	11,967		-
Sum		**1,515,556**	**740,687**		
\\ Total		**1,515,556**	**740,687**	**-**	**30**

Comments

The Organization (prudential consolidated) has in its portfolio exposures to 21 jurisdictions, 3 of which have Countercyclical Capital buffer (ACPPi) - Luxembourg, United Kingdom and Sweden. Regarding the RWA quarter variation, there was an increase of 0.9%, with Brazil concentrating 98% of the Credit RWA.

Leverage Ratio

7. Leverage Ratio (LR)

In compliance with Basel Committee's recommendations, the Leverage Ratio (LR) started on October 2015. This ratio, combined with Total Capital Ratio, limits the risk exposure level assumed by financial institutions. This index evaluates leverage using only exposure values with no risk weighting.

In 11/30/2017, the National Monetary Board published the Resolution 4,615, which defined the minimum level for Leverage Ratio in 3% effective as of 01/01/2018.

The following table details the adjustments made on the total asset value to obtain the Total Exposure used in calculating the Leverage Ratio, as defined according to Circular 3,748/15.

Summary comparison of accounting assets vs Leverage Ratio exposure measure (LR1)

	R$ million	Dec-23
1	Total consolidated assets as per published financial statements	1,915,475
2	Adjustment arising from accounting consolidation differences	(314,898)
1+2	Total assets of individual balance sheet or of the prudential conglomerate, in the case of LR calculation on consolidated bases	1,600,577
4	Adjustments for derivative financial instruments	1,297
5	Adjustment for repurchase transactions and asset loans	22,201
6	Adjustment for off-balance sheet items	149,715
7	Other adjustments	(59,748)
8	**Total Exposure**	**1,714,043**

Comments

Total exposure remained stable, increasing by 1.37% in the quarter.

Leverage Ratio

The LR2 table provides a detailed breakdown of the components of the leverage ratio denominator, as detailed in Circular 3,748/15.

Leverage Ratio common disclosure template (LR2)

		a	b	
	R$ million	Dec-23	Sep-23	Dec-22
	\\ On-balance sheet exposures			
1	Balance sheet items other than derivative financial instruments, securities received on loan and resales for settlement under repurchase transactions	1,399,552	1,352,056	1,392,638
2	Adjustments for equity items deducted in calculating Tier I	(55,361)	(55,749)	(52,688)
3	**Total on-balance sheet exposures**	**1,344,191**	**1,296,307**	**1,339,950**
	\\ Transactions using Derivative Financial Instruments			
4	Replacement value for derivatives transactions	10,267	10,608	11,382
5	Potential future gains from derivatives transactions	6,636	7,637	9,580
7	Adjustment for daily margin held as collateral	-	-	-
8	Adjustment related to the deduction of the exposure related to qualified central counterparty (QCCP) in derivative transactions on behalf of clients in which there is no contractual obligation to reimburse due to bankruptcy or default of the entities responsible for the settlement and compensation of transactions	(9,120)	(9,446)	(7,016)
9	Reference value of credit derivatives	1,297	1,342	1,477
10	Adjustment of reference value calculated for credit derivatives	-	-	-
11	**Total exposure for derivative financial instruments**	**9,081**	**10,141**	**15,423**
	\\ Repurchase Transactions and Securities Lending			
12	Investments in repurchase transactions and securities lending	184,912	218,824	108,100
13	Adjustment for repurchases for settlement and creditors of securities lending	-	-	-
14	Amount of counterparty credit risk	7,888	5,810	6,697
15	Amount of counterparty credit risk in transactions as intermediary	-	-	-
16	**Total Exposure on Repurchase Transactions and Securities Lending**	**192,800**	**224,634**	**114,797**
	\\ Off-balance sheet items			
17	Reference value of off-balance sheet transactions	422,811	410,860	433,005
18	Adjustment for application of FCC specific to off-balance sheet transactions	(254,840)	(251,069)	(263,439)
19	**Total off-balance sheet exposure**	**167,971**	**159,792**	**169,566**
	\\ Capital and Total Exposure			
20	Tier 1 capital	125,412	126,704	120,624
21	Total exposure	1,714,043	1,690,873	1,639,736
	\\ Leverage ratio			
22	**Leverage Ratio**	**7.3%**	**7.5%**	**7.4%**

Comments

The leverage ratio decreased 0.18 p.p. regarding to 3Q23 mainly due to the increase in total exposure.

Liquidity Risk

8. Liquidity Risk

The Liquidity Risk is represented by the possibility of the institution not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the institution not being able to trade a position at market price due to its high value when compared to the usually traded volume or due to some market discontinuity.

Knowledge and monitoring of this risk is crucial to enable the Organization to settle operations in a timely and safe manner.

8.1. Liquidity Risk Management Process

Liquidity risk management is carried out by the Organization in a corporate manner and permeates all governance layers. The following are the departments' attributions that stand out in the liquidity risk management and control:

Treasury Department	▪ Performs daily cash and liquidity management; ▪ Proposes limits for liquidity risk control indicators, as well as levels for alert flags; ▪ Complies with the strategic and operational limits established; ▪ Reports matters related to the liquidity management of the Treasury for Asset and Liability Management Executive Committee.
Integrated Risk Control Department	▪ Proposes the liquidity and concentration control metrics, paying attention to their due approval in the established governance process; ▪ Calculates and disseminate the liquidity monitoring and control indicators in the established periodicities; ▪ Provides simulation tools for the main indicators implemented; ▪ Reports matters related to the control and monitoring of liquidity risk in commissions and executive committees where the topic is addressed.
Support Areas (Shares and Custody Department, International and Exchange Department and Controllership Department)	▪ Perform cash flow projection for liquidity monitoring, including intraday; ▪ Prepare the expected cash flows up to the 12-month horizon and refer to the areas of interest; ▪ Check and ensure the consistency, integrity and completeness of the database made available daily to liquidity risk managers and controllers; ▪ Provide cash management information to Treasury Department, as well as any significant changes in the Conglomerate Banks reserves levels; ▪ Provide management information about mismatch maps available to the Treasury Department.

Liquidity Risk

Policies and Standards

The liquidity risk management process is comprised of policies and standards that establish diversification criteria related to Organization's financing sources.

The Liquidity Risk Management Policy ensures that there are standards, procedures and controls that guarantee the Organization an adequate liquidity level and diversification of its funding.

In turn, the Liquidity Risk Standard for the Prudential Conglomerate describes the Organization's procedures and controls for liquidity risk, including controlling the concentration of funding by product and counterparty.

On the Organization's executive committees are reported product funding concentrations, counterparty and terms.

8.1.1. Control and Monitoring

The Organization's liquidity risk management is carried out through tools developed on robust platforms and validated by the independent areas of the Organization. Among the main metrics and indicators considered in the liquidity risk framework, it is highlight:

- **Liquidity Coverage Ratio (LCR):** consists of verifying the liquid instruments sufficiency to honor the Organization's net cash outflows in the next thirty days in a stress scenario;
- **Net Stable Funding Ratio (NSFR):** consists of verifying the structural funding sufficiency to finance the long-term assets of the Organization's balance sheet;
- Deposit losses for different time horizons;
- Funding concentration maps in different views (product, term and counterparty);
- Integrated stress exercises which different risk dimensions are addressed.

For the main metrics, limits were established, which can be strategic (approved up to the level of the Board of Directors) or operational (approved by the Executive Committee), based on flags, which trigger different levels of governance according to the percentage of use (consumption) of their respective limits.

8.1.2. Liquidity Risk Mitigation

The governance established for the liquidity risk management includes a series of recommendations for mitigating liquidity risk, among the main strategies, the following stand out:

- Financing diversification in counterparty, product and term;
- Adoption of managerial liquidity limits, in addition to those required by the regulator;
- Prior products analysis that may affect liquidity before implementation;
- Portfolio liquidity stress simulations.

Liquidity Risk

8.1.3. Stress Tests

Due to the dynamics and criticality of this topic, the management and liquidity risk control must take place on a daily basis and be based on stress scenarios. Thus, the main metric used to monitor the liquidity risk of the Prudential Conglomerate is the Liquidity Coverage Ratio (LCR), which measures the liquid resources sufficiency to honor commitments in the next thirty days considering a stress scenario. Therefore, daily management is already carried out through stress testing.

Anyway, in addition to LCR and other monitoring metrics, simulations of long-term stress scenarios are carried out, within the integrated stress test program (ICAAP for example), to also assess a possible liquidity indicators deterioration for different time horizons.

8.1.4. Contingency Plan

According to Art. 38, item II, of BCB Resolution 4,557 of February 23, 2017, all institutions must have a liquidity contingency plan. The Organization's liquidity contingency plan covers the following points:

- Crisis management group;
- Main responsibilities of the crisis management group;
- Monitoring indicators;
- Crisis mitigation actions;
- Plan review frequency.

8.1.5. Internal Reporting

Internal communication about liquidity risk, both between departments and between the different layers of internal governance is through internal reports and committees involving both areas (Treasury and DCIR) and the Organization's Senior Management.

Additionally, reports are distributed daily to the areas involved in management and control, as well as to Senior Management. This process comprises several analytical instruments used to monitor liquidity, such as:

- Daily distribution of liquidity control instruments;
- Automatic intra-day update of the liquidity reports for appropriate management by the Treasury Department;
- Preparation of reports with past behavior and future simulations based on scenarios;
- Daily verification of compliance with minimum liquidity levels;
- Preparation of further reports where the funding concentrations by sort of product, maturity and counterparty are presented;
- Weekly reports to the Senior Management, showing the behavior and expectations related to the liquidity situation.

The liquidity risk management process also has an alert system that selects the appropriate reporting level according to the percentage of use of the established limits. Thus, the lower the liquidity ratio, the higher Organization levels who receive the reports.

Liquidity Risk

8.2. Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) aims to ensure that the Organization maintains a sufficient level of liquid assets to cover liquidity needs on an eventual stress scenario. The LCR is the ratio between the stock of High Quality Liquid Assets (HQLA) and total net cash outflow, calculated based on a generic stress scenario.

The following formula shows the main components of the indicator:

$$LCR = \frac{HQLA}{Cash\ Outflows - Cash\ Inflows^{*}} \geq 100\%$$

*Limited to 75% of outflows

The stress scenarios parameterization was conducted by the Regulator to capture idiosyncratic and market shocks, considering the period of thirty days. The items below show some of the shocks included in the methodology:

- The partial loss of retail and uncollateralized wholesale funding, as well as short-term funding capacity;
- The additional outflow of funds, contractually foreseen, due to the downgrading of the institution's credit rating by up to three levels, including eventual additional collateral requirements;
- An increase in the factors' volatility that impact collateral quality or the potential future exposure of derivative positions, resulting in the application of larger collateral discounts or a call for additional collateral or in other liquidity requirements;
- Higher withdrawals amounts than expected from credit/liquidity lines granted; and
- The potential need to repurchase debt or honor non-contractual obligations in order to mitigate reputational risk.

High Quality Liquid Assets (HQLA)

HQLA are assets that maintain their market liquidity in periods of stress and that meet the minimum requirements established by the Central Bank of Brazil, such as, among others, being free of any legal impediment or restriction; suffering little or no loss in market value when converted into cash; having a low credit risk; easy and accurate pricing; and being traded in an active and important market, with little difference between the purchase and sale price, high traded volume and a large number of participants, among other criteria. These assets are subject to weighting factors, which may reduce their value, for example in accordance with the risk rating of their issuer or the historic variation in their market price, among other requirements.

Cash Outflows and Inflows

Cash outflows are the result of a reduction in deposits and funding; the maturity of securities issued; scheduled contractual obligations for the next thirty days; margin adjustments and calls in derivative operations; the utilization/withdrawal of credit and liquidity lines granted by the Bank; and contingent cash outflows.

Cash inflows for the next thirty days correspond to the expected receipt of loans and financings; deposits; securities; and margin adjustments and easing in derivative operations.

Liquidity Risk

The LIQ1 table presents the information of Liquidity Coverage Ratio – LCR indicator, regarding cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to Circular 3,749/15.

Liquidity Coverage Ratio – LCR (LIQ1)

		a	b				
		Dec-23[1]		Sep-23[2]		Dec-22[3]	
	R$ thousand	Unweighted Amount[4]	Weighted Amount[5]	Unweighted Amount[4]	Weighted Amount[5]	Unweighted Amount[4]	Weighted Amount[5]
\\ High Quality Liquid Assets (HQLA)							
1	**Total High Quality Liquid Assets (HQLA)**		**248,691,252**		**239,318,590**		**198,600,676**
\\ Cash outflows							
2	**Retail funding, of which:**	**359,983,979**	**35,533,070**	**371,248,544**	**37,106,824**	**370,582,741**	**36,861,192**
3	Stable funding	168,817,334	8,440,867	172,036,914	8,601,846	173,707,698	8,685,385
4	Less stable funding	191,166,646	27,092,203	199,211,629	28,504,978	196,875,043	28,175,807
5	**Non-collateralized wholesale funding, of which:**	**293,421,825**	**116,321,421**	**275,136,247**	**110,480,458**	**255,199,169**	**101,799,588**
6	Operating deposits (all counterparties) and affiliated cooperative deposits	12,540,470	627,023	11,986,954	599,348	14,355,798	717,790
7	Non-operational deposits (all counterparties)	280,514,992	115,328,034	262,991,870	109,723,687	237,942,861	98,181,288
8	Non-collateralized obligations	366,363	366,363	157,424	157,424	2,900,510	2,900,510
9	**Collateralized wholesale funding**		**7,723,123**		**8,321,890**		**4,671,371**
10	**Additional requirements, of which:**	**126,215,733**	**16,214,852**	**125,848,306**	**15,806,387**	**143,535,972**	**15,670,004**
11	Related to exposure to derivatives and other collateral requirements	14,990,310	7,799,793	14,952,419	7,521,289	11,556,740	5,532,548
12	Related to funding losses through the issue of debt instruments	99,063	99,063	100,095	100,095	45,718	45,718
13	Related to lines of credit and liquidity	111,126,360	8,315,996	110,795,791	8,185,003	131,933,514	10,091,738
14	**Other contractual obligations**	**37,194,512**	**34,771,363**	**37,810,906**	**35,318,724**	**39,648,114**	**37,134,959**
15	**Other contingent obligations**	**152,259,676**	**5,802,649**	**147,075,965**	**6,065,298**	**144,774,157**	**6,544,360**
16	**Total Cash Outflows**		**216,366,477**		**213,099,582**		**202,681,474**
\\ Cash inflows							
17	Collateralized loans	195,163,944	458,388	197,824,415	409,248	114,631,125	269,762
18	Outstanding loans whose payments are fully up-to-date	40,193,984	28,155,969	42,016,000	29,353,701	46,345,202	32,190,174
19	Other cash inflows	74,327,360	57,954,558	68,268,224	52,195,536	60,640,558	46,183,036
20	**Total Cash Inflows**	**309,685,288**	**86,568,914**	**308,108,638**	**81,958,485**	**221,616,885**	**78,642,972**
			Total Adjust. Amount[6]		**Total Adjust. Amount[6]**		**Total Adjust. Amount[6]**
21	Total HQLA		248,691,252		239,318,590		198,600,676
22	Total net cash outflows		129,797,562		131,141,097		124,038,502
23	**Liquidity Coverage Ratio (LCR)**		**191.6%**		**182.5%**		**160.1%**

(1) Calculated based on the simple daily average of the quarters (61 observations).
(2) Calculated based on the simple daily average of the quarters (64 observations).
(3) Calculated based on the simple daily average of the quarters (62 observations).
(4) Total balance of cash inflow/outflow item.
(5) Total balance of cash inflow/outflow item after application of weighting factors.
(6) Total balance of cash inflow/outflow item after application of weighting factors and limits.

The net assets (HQLA) amounted R$ 248.7 billion on average in the 4Q23, versus R$ 239.3 billion, on average, in the 3Q23. Related to the cash outflows, based on the regulatory stress scenario (item 16), about 70.2% are redemptions and non-renewal retail and wholesale funding without collateral (unsecured), as shown in items 2 and 5 in the table. Another relevant group refers to the item "Other contractual obligations" (item 14), which mainly includes the output streams of on lending operations, credit cards and trade finance. Regarding to cash inflows, corresponding to R$ 86.6 billion on average in the 4Q23, the highlights are the receiving of credit operations (partial renewal) stand out, the inflows of Trade Finance operations, cash and redemptions of securities, besides the inflow of transfer and credit card operations.

Liquidity Risk

8.3. Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) aims to assess whether the Organization is financing its activities (assets) with sources of funding more stable (liabilities). NSFR corresponds to the ratio between Available Stable Funding (ASF) and the Required Stable Funding (RSF), which are defined according to the assets and liabilities structures of the institution that are weighted as per the Regulator definitions.

The following formula shows the main components of the indicator:

$$\text{NSFR} = \frac{\textbf{Available}\text{ Stable Funding }(\textbf{ASF})}{\textbf{Required}\text{ Stable Funding }(\textbf{RSF})} \geq 100\%$$

Available Stable Funding (ASF)

The available stable funding are represented by Liabilities and Net Equity, which are weighted as per its stability, and the resources considered more stable are determined mainly by the behavioral aspects of the clients, considering also its relationship with the institution, legal aspects and other implicit variables.

Required Stable Funding (RSF)

The required stable funding are determined according to the Balance Sheet assets and the other financial instruments, for example, credit limits and guarantees provided, which are weighted by aspects, related to the operation, maturity, counterparty, among others.

The following table provides details of a bank's NSFR and selected details of its NSFR components, according to Circular 3,869/17.

Liquidity Risk

Net Stable Funding Ratio – NSFR (LIQ2)

R$ thousand		a	b	c	d	e	
		Dec-23					Sep-23
		Unweighted value by residual maturity[1]				Weighted value[2]	Weighted value[2]
		No maturity	Less than six months	More or equal to six months and less than one year	More or equal to one year		
\\ Available Stable Funding (ASF)							
1	**Capital**	**199,978,816**	**-**	**-**	**10,475,456**	**211,725,383**	**210,454,272**
2	Total Capital, gross of regulatory deductions	199,978,816	-	-	-	200,734,715	199,978,816
3	Other capital instruments not included on line 2	-	-	-	10,475,456	10,990,668	10,475,456
4	**Retail funding, of which:**	**149,628,605**	**244,641,304**	**803,486**	**1,953,687**	**373,282,324**	**365,933,193**
5	Stable funding	84,341,274	83,882,622	45,111	129,246	175,626,254	159,984,803
6	Less stable funding	65,287,331	160,758,682	758,375	1,824,440	197,656,070	205,948,390
7	**Wholesale funding, of which:**	**38,402,025**	**600,953,327**	**33,054,217**	**134,204,514**	**344,724,776**	**327,841,400**
8	Operating deposits and affiliated cooperative deposits	12,077,592	-	-	-	6,324,938	6,038,796
9	Other wholesale funding	26,324,434	600,953,327	33,054,217	134,204,514	338,399,838	321,802,604
10	**Operations that the institution acts exclusively as an intermediary, assuming no rights or obligations, even if contingent:**	**-**	**44,015,709**	**4,308,440**	**220,336**	**-**	**-**
11	**Other liabilities, of which:**	**77,283,520**	**61,267,940**	**-**	**-**	**4,592,302**	**6,298,146**
12	Derivatives in which replacement value is less than zero			19,908,843			
13	Other liabilities elements or shareholders' equity not included in the previous lines	77,283,520	41,359,097	-	-	4,592,302	6,298,146
14	**Total Available Stable Funding (ASF)**					**934,324,784**	**910,527,012**
\\ Required Stable Funding (RSF)							
15	**Total High Quality Liquid Assets (HQLA)**					**12,756,597**	**10,665,298**
16	**Deposits held at other financial institutions for operational purposes**	**-**	**-**	**-**	**-**	**-**	**-**
17	**Bonds, securities and operations with financial institutions, non-financial institutions and central banks, of which:**	**7,034,270**	**384,324,373**	**114,168,168**	**367,557,517**	**432,692,444**	**447,519,649**
18	Operations with financial institutions collateralized by Level 1 HQLA	-	3,150,110	-	-	763,107	315,011
19	Operations with financial institutions collateralized by Level 2A, 2B HQLA or non-collateralized	-	228,879,686	7,642,166	3,723,384	8,129,840	9,692,923
20	Loans and financing granted for retail and wholesale customers, central government and central banks operations, of which:	-	126,463,128	79,397,232	230,938,713	268,384,532	303,224,585
21	The Risk Weighting Factor, referred by Central Bank Circular 3,644, from 2013, is less than or equal to 35% (thirty five percent)	-	-	-	-		-
22	Performing residential mortgages, of which:	-	4,977,171	3,553,232	52,423,158	69,168,577	39,173,632
23	Referred by BCB Resolution 229/22, art. 50, items I, II and III, and art. 51, items I and II	-	4,977,171	3,553,232	52,423,158	69,168,577	39,173,632
24	Bonds and securities non eligible to HQLA, including shares traded in the Stock Market	7,034,270	20,854,279	23,575,538	80,472,262	86,246,388	95,113,499
25	**Operations that the institution acts exclusively as an intermediary, assuming no rights or obligations, even if contingent**	**-**	**49,594,251**	**4,470,223**	**452,854**	**-**	**-**
26	**Other assets, of which:**	**255,033,290**	**71,194,129**	**2,568,759**	**24,201,861**	**276,545,220**	**255,344,745**
27	Gold and commodities transaction, including ones with physical settlement	-				-	-
28	Assets provided, due to initial margin deposit as collateral for derivatives operation and participation in mutualized guarantee funds of clearing house or service providers of clearing and settlement that may arbitrate as central counterparty			10,489,424		11,056,372	8,916,010
29	Derivatives in which replacement value is more than or equal to zero			20,855,440		-	-
30	Derivatives in which replacement value is less than zero, gross of any collateral deduction due to deposit for variation margin			-		1,368,687	2,678,395
31	Other assets not included in the previous lines	255,033,290	50,338,689	2,568,759	13,712,437	264,120,162	243,750,340
32	**Off-balance sheet operations**		**394,387,454**	**-**	**-**	**15,186,777**	**14,715,173**
33	**Total Required Stable Funding (RSF)**					**737,181,037**	**728,244,865**
34	**NSFR (%)**					**126.7%**	**125.0%**

The long-term indicator NSFR, presented weighted volume of available stable funding, higher than the required stable funding, exceeding the weighted balance around R$ 197.1 billion, resulting the indicator in 126.7%. The amount of available stable funding (ASF) is largely composed by customer funding, considering the level of stability as the main factor supporting the ASF. The verification of the ASF in December/2023, presented a sharing of 40%, originated from Retail funding and 37% of Wholesale funding. The required stable funding (RSF) are composed by assets and items off-balance sheet. These balance are weighted according to the respective liquidity profile, so the items related to lending and other assets in low or non-liquidity are highlighted in the RSF (high weight), while high liquidity operations, e.g. free federal government bonds, receive low weight. For December/2023, the lending operations (item 20) represented 36% out of the total of RSF, while other assets (Item 31) shared 36% of the RSF.

9. Credit Risk

Credit risk refers to the possibility of losses associated with the borrower's or counterparty's failure to comply with their financial obligations under the agreed upon terms; as well as the depreciation of loan agreements resulting from deterioration, in the borrower's risk rating; the reduction in gains or remunerations and also with benefits granted in renegotiations; recovery costs and other amounts related to the counterparty's default with their financial obligations. Also includes concentration and transfer (country) risk.

Credit risk management in the Organization is a continuous and evolving process of mapping, development, assessment and diagnosis through models, instruments and procedures that require a high degree of discipline and control during the evaluation of credit proposals in order to preserve the integrity and autonomy of the processes.

The Organization controls its exposure to credit risk, which mainly results from credit operations, credit commitments, financial guarantees provided, securities and derivative financial instruments.

In order to ensure the quality expected from the portfolio, special attention to all aspects of the lending process, credit concentration, guarantee requirements, maturities, amongst others has been given.

The Organization continuously maps all the activities that could possibly generate exposure to credit risk, classifying them by their probability and magnitude, identifying their managers, as well as their measurement and mitigation plans.

9.1. Lending Process

The diversified business model allows support several audiences, in direct and convenient channels in the different regions of Brazil. Segmentation strategies, both for Individuals and Legal Entities, also support a good relationship with customers and to accurate offers of products and services.

This positioning has a positive impact on the Organization's credit profile, being translated into a diversified and dispersed portfolio, both in terms of products and segments. This is consistent with the risks assumed and with adequate provisioning and concentration levels.

In the Credit Department, the lending process is based on the Organization's Credit Policy, which lays emphasis on safety, quality and liquidity while investing in credit assets. The risk management governance permeates the entire process, which fully complies with Central Bank of Brazil rules.

The methodologies adopted value business agility and profitability, with targeted and appropriate procedures, oriented to the granting of credit transactions and establishment of operating limits.

The assessment and classification of the total risk of customers and economic groups, the Organization considers the quantitative (economic and financial indicators) and qualitative (registration, behavioral and transactional data) aspects of the customers' capacity to pay their debts.

All business proposals are subject to operational limits, which are included in the Loan Guidelines and Procedures. At branches, the delegation of power for proposals submission depends on its amount, the customer's total exposure to the Organization, the collaterals and guarantees posted the level of restriction and their credit risk rating. All business proposals are submitted to technical analysis and approval by the Credit Department.

Credit Risk

The Executive Credit Committee was created to decide, within its authority, on queries about assignment of limits or operations proposed by business areas, previously analyzed and reviewed by the Credit Department. Depending on the financial amount, operations/limits proposed, from this Committee, may be submitted for approval by the Board of Directors.

Loan proposals pass through an automated system with parameters to provide indispensable information for analysis and granting of loans, in addition to the follow-up of the loans granted, minimizing the risks inherent to the operations.

There are exclusive Credit and Behavior Scoring systems for the assignment of mass loans in the Retail segment, intended to provide speed and reliability, while standardizing the procedures for loan analysis and approval.

Business is diversified, widespread and aimed at individuals and companies with a proven payment capacity and solvency, seeking to support them with collaterals and guarantees that are adequate to the risk assumed, considering the credit lines, amounts and the maturities of the granted loans.

9.2. Credit Risk Rating

The Organization has a robust governance, practices and follow-up process. Among these practices, we can mention the Governance of Concessions and Credit Recovery Levels, which, depending on the size of the operation or the total exposure of the counterparty, require approval at the level of the Board of Directors. In addition, frequent portfolio monitoring is evaluated, with assessments of its evolution, defaults, provisions, vintage studies, capital, among others.

In addition to the process and governance levels of approval for credit and recovery operations, the risk appetite defined by the Organization is followed by concentration limits of operations for Economic Group, Sector and Transfer (concentration by countries). Besides concentration indicators, a specific indicator was established for delinquency level over 90 days for Individuals, indicator for Defaulted Loans and an indicator of Credit Risk Economic Capital Margin, in order to monitor and control capital from an economic and regulatory point of view.

The credit risk assessment methodology, in addition to providing data to establish the minimum parameters for lending and risk management, also enables the definition of special Credit Rules and Procedures according to customer characteristics and size. Thus, the methodology provides the basis not only for the correct pricing of operations, but also for defining the appropriate guarantees.

The methodology used also follows the requirements established by National Monetary Council (CMN) Resolution 4,945 and includes analysis of social and environmental risks in projects, aimed at evaluating customers' compliance with related laws and the Equator Principles, a set of rules that establish the minimum social and environmental criteria, which must be met for lending.

In accordance with its commitment to the continuous improvement of methodologies, the credit risk rating of operations contracted by the Organization's economic groups/customers is distributes on a graded level scale, ensuring greater compliance with the requirements of the Basel Capital Accord, preserving the criteria set forth by National Monetary Council Resolution 2,682 for recording the necessary impairment allowances.

In a simplified way, the operations risk ratings are determined according to the credit quality of the economic groups/customers defined by the customer risk rating, contract guarantees, credit product modality, late due behavior, notes/restrictions and the contracted credit face value.

Credit Risk

The customer risk ratings for economic groups are based on parameterized statistical procedures, using quantitative and qualitative information and judgments. Classifications are made by economic group and periodically monitored to preserve loan portfolio quality.

With respect to individuals, customer risk ratings are generally defined based also in statistical procedures and analysis of variables that discriminate risk behavior. This is made by applying statistical models for credit assessment.

The customer risk rating is used, in sets with several decision variables, for concession and/or renewal analysis of operations and credit limits, as well as for monitoring the customers' risk profile deterioration.

9.3. Credit Risk Management Process

The credit risk management process is conducted in a corporation-wide approach. This process involves several areas with specific duties, ensuring structural efficiency. Credit risk measurement and control are conducted in a centralized and independent manner.

Both the governance process and existing limits are sanctioned by the Integrated Risk Management and Capital Allocation Committee, which are submitted for the approval of the Board of Directors, and are revised at least once a year.

The credit risk management structure performs a fundamental role in the Organization's second line, actively participating in the process of improving customer risk classification models, periodically monitoring major risks by main default events, level of provisioning in view of expected and unexpected losses.

This structure continuously reviews the internal processes, including the roles and responsibilities, Information Technology training and requirements, as well as conducts periodically reviews of risk evaluation processes to incorporate new practices and methodologies.

The attributions of the credit risk management structure faithfully follow the compliance precepts defined by the Organization. Integration with other lines occurs continuously and frequently, enabling assertiveness in the identification, measurement and control of credit risk.

9.4. Credit Risk Mitigation

Potential credit losses are mitigated by the use of a series of collaterals formally stipulated through legal instruments, such as conditional sales, mortgages, by guarantees such as third-party sureties or guarantees and also by financial instruments such as credit derivatives, or netting arrangements. The efficiency of these instruments is evaluated considering the time to recover and realize an asset given as collateral, its market value, the guarantors' counterparty risk and the legal safety of the agreements. The main types of collaterals include, term deposits; financial investments and securities; residential and commercial properties; movable properties such as vehicles, aircrafts; furthermore, security interest also include commercial bonds such as invoices, checks and credit card bills. Securities and guarantees may also include bank guarantees.

Credit derivatives are bilateral agreements where one of the counterparties buys hedge against credit risk of a specific financial instrument and its risk is transferred to the selling counterparty. Usually, the later receives a linear remuneration during transaction's effectiveness. In the event of default, the counterparty who bought the hedge will be paid, the purpose of which is to mitigate the financial instrument impairment. In this case, the selling counterparty receives the underlying asset in exchange for referred payment.

Credit Risk

9.5. Control and Monitoring

The Organization's credit risk is controlled and monitored by the Credit Risk area of the Integrated Risk Control Department (DCIR). The department advises the Risk Management Executive Committee, in which methodologies for credit risk measurement are discussed and formalized. Significant issues discussed in this committee are reported to the Integrated Risk Management and Capital Allocation Committee.

Additionally, to the committee, the area holds monthly meetings with all product and segment executives and officers, with a view to informing them about the evolution of the loan portfolio, delinquency, defaulted loans, restructurings, adequacy of allowance for loan losses, loan recoveries, losses, portfolio limits and concentrations, regulatory and economic capital allocation, among others.

The area also monitors any internal or external event that may cause a significant impact on the Organization's credit risk, such as mergers, bankruptcies and crop failures, in addition to monitoring industries in which the company is exposed to significant risks.

9.6. Internal Reporting

Credit risk is monitored on a timely basis in order to maintain the risk levels within the limits established by the Organization. Risk control management reports are provided to all levels of business, from branches up to Senior Management.

Pointing out the risk situations that would impact the liquidity of loans granted to customers, the credit risk monitoring area provides daily reports, through a corporate system, to the branches, national management, business segments, as well as the lending and loan recovery areas. This system provides dynamic information about the loan portfolios and credit bureau information of customers, in addition to enabling comparison of past and current information, highlighting points requiring a more in-depth analysis by managers such as: assets information by segment, product, region, risk rating, delinquency and expected and unexpected losses, amongst others, allowing both a macro-level and detailed view of the information, and also enables a specific loan operation to be viewed.

The information is viewed and delivered via reports, allowing queries at several levels such as business segment, divisions, managers, regions, products, employees and customers, and under several aspects (asset, delinquency, provision, write-off (loss), restriction levels, use of collaterals and portfolio quality by rating, among others).

9.7. Details of Credit Risk Exposures

The quality of exposures subject to credit risk related to credit operations, debt securities and operations off-balance sheet are detailed below.

Credit Risk

Credit quality of assets (CR1)

		a	b	c	d	f	g
		Dec-23					
		Gross values of		Allowances, advances and unearned income	Allowances, advances and unearned income Of which: RWACPAD	Allowances, advances and unearned income Of which: RWACIRB	Net Values (a+b-c)
R$ million		Defaulted exposures	Non-defaulted exposures				
1	**Loans**	**66,396**	**580,693**	**53,900**	**53,900**	**-**	**593,188**
2	**Debt Securities**	**11,027**	**374,069**	**4,446**	**4,446**	**-**	**380,649**
2a	of which: national sovereign bonds	-	247,108	-	-	-	247,108
2b	of which: other bonds	11,027	126,961	4,446	4,446	-	133,541
3	**Off-balance sheet exposures**	**6,841**	**391,673**	**1,207**	**1,207**	**-**	**397,306**
4	**Total (1+2+3)**	**84,263**	**1,346,435**	**59,554**	**59,554**	**-**	**1,371,144**

Note: According to instructions for filling Circular Letter 3,936, loans, financing, leasing operations, interbank liquidity operations and other similar operations were considered as Credit Concessions.

Comments

There was an increase of 4.2% in total net value compared to 3Q23, mainly in national sovereign bonds (+26.8%).

Gross exposures are exposures before the application of the Credit Conversion Factors (CCF) and before the deduction of their provision, with exposures classified as such being characterized as default loans as established on CMN Resolution 4,557/17.

Changes in the stock of defaulted loans and debt securities operations in progress between two consecutive periods, considering the operations reported in table CR1, are detailed in table CR2.

Changes in stock of defaulted loans and debt securities (CR2)

R$ million		Dec-23 a Total
1	**Defaulted loans and debt securities at end of the previous reporting period**	**92,151**
2	Loans and debt securities that have defaulted since the last reporting period	16,755
3	Returned to non-defaulted status	(2,614)
4	Amounts written off	(14,140)
5	Other adjustments	(7,889)
6	**Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)**	**84,263**

Comments

Default Loans and debt securities decreased by 8.56% compared to the 3Q23, in line with the decrease in delinquency in the period.

Additionally, information on the credit quality of assets reported in table CR1, is shown in the CRB tables from “e” to “i”.

Credit Risk

Breakdown of exposures by geographical areas, industry and residual maturity (CRBe)

R$ million Economic Sector	Dec-23 Contracts with Remaining Maturity Up to 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Above 5 years	Total
Retail	27,207	9,019	22,798	697	59,720
Real Estate and Construction Activities	6,104	4,966	18,591	7,569	37,230
Transportation and Concession	9,001	3,489	28,569	5,800	46,859
Miscellaneous Services	16,032	5,861	17,990	3,693	43,576
Holding	8,332	2,764	9,251	2,363	22,710
Automotive industry	6,257	1,957	5,899	94	14,207
Financial	81,626	20,595	175,675	39,382	317,277
Wholesale	13,014	4,531	10,596	1,438	29,578
Electrical energy	8,527	5,596	20,995	2,111	37,228
Oil and Petrochemical	4,116	546	1,163	4,310	10,135
Steel and Metallurgy	5,341	961	4,325	1,326	11,953
Food Industry	8,409	4,020	9,296	88	21,814
Smoke and drinks	12,213	142	1,260	166	13,781
Paper and Pulp	683	535	9,450	213	10,880
Extraction	5,118	251	2,091	67	7,527
Telecommunications	6,697	568	2,837	28	10,131
Health	1,915	3,956	5,755	650	12,276
Sugar and ethanol	9,416	814	2,583	1,122	13,935
Chemistry	3,912	1,245	5,316	58	10,532
Construction Material	1,506	577	2,287	114	4,483
Leisure and tourism	2,161	873	1,553	51	4,637
Capital goods	2,961	789	2,538	52	6,341
Cooperative	2,995	2,604	1,801	149	7,549
Education	1,039	709	3,250	426	5,424
Hygiene and Cleaning Products	1,610	171	1,959	2	3,742
Textile	1,208	923	1,631	24	3,786
Appliances and electronics	2,604	729	666	12	4,011
General Industry	1,791	470	1,456	57	3,774
Trading	4,016	154	348	834	5,353
Information Technology	1,944	817	1,117	6	3,884
Agriculture	1,107	583	2,155	151	3,997
Packaging	2,321	281	911	1	3,514
Furniture and wood	775	554	995	9	2,332
Other sectors	8,216	6,874	24,393	1,314	40,797
Individual	159,952	85,777	112,870	177,570	536,169
\\ Total Exposure	**430,128**	**174,698**	**514,369**	**251,949**	**1,371,144**
Geographic Region					
\\ Domestic Market	**405,982**	**171,062**	**493,901**	**238,672**	**1,309,616**
Southeast	271,680	107,356	247,148	131,930	758,114
South	37,078	20,675	35,428	21,285	114,466
North	9,198	5,354	10,272	8,481	33,305
Northeast	27,652	15,634	28,850	29,947	102,084
Mid-West	60,373	22,043	172,202	47,029	301,647
\\ Foreign Market	**24,146**	**3,636**	**20,468**	**13,277**	**61,527**
\\ Total Exposure	**430,128**	**174,698**	**514,369**	**251,949**	**1,371,144**

Credit Risk

Total defaulted loans operations segregated by geographical areas and industry (CRBf)

R$ million	Dec-23		
	Defaulted Loans		
Economic Sector	Total	Provision	Write-offs
Retail	6,304	4,936	1,478
Real Estate and Construction Activities	7,190	3,588	793
Transportation and Concession	4,865	1,951	253
Miscellaneous Services	3,154	2,228	536
Holding	5,390	2,297	6
Automotive industry	113	82	7
Financial	548	283	34
Wholesale	1,377	933	249
Electrical energy	717	345	0
Oil and Petrochemical	52	15	2
Steel and Metallurgy	641	444	37
Food Industry	449	292	46
Smoke and drinks	33	26	92
Paper and Pulp	35	16	7
Extraction	749	282	2
Telecommunications	3,733	696	13
Health	337	207	32
Sugar and ethanol	406	399	82
Chemistry	186	128	6
Construction Material	187	147	13
Leisure and tourism	578	391	260
Capital goods	537	471	11
Cooperative	2	1	305
Education	311	217	59
Hygiene and Cleaning Products	44	26	15
Textile	627	320	74
Appliances and electronics	55	16	6
General Industry	357	295	28
Trading	143	141	3
Information Technology	120	80	13
Agriculture	198	131	12
Packaging	56	41	6
Furniture and wood	149	110	33
Other sectors	140	105	305
Individual	44,478	28,111	9,322
\\ Total Exposure	**84,263**	**49,754**	**14,140**
Geographic Region			
\\ Domestic Market	**84,263**	**49,754**	**14,030**
Southeast	59,695	34,164	9,096
South	8,090	5,300	1,291
North	3,640	2,311	776
Northeast	8,122	5,102	1,825
Mid-West	4,716	2,878	1,042
\\ Foreign Market	**-**	**-**	**110**
\\ Total Exposure	**84,263**	**49,754**	**14,140**

Credit Risk

Total past due loans exposures segmented by past due loans band (CRBg)

R$ million	Dec-23					
	Past due operations					Total
	Less than 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due 181 to 365 days	Past due more than 365 days	
Past due operations total	31,427	15,429	13,829	19,780	8,807	89,272

Segregation of total restructured exposures (CRBh)

	Dec-23	
	a	b
R$ million	Defaulted Loans	Others
Total restructured exposures	34,787	4,324

Concentration (CRBi)

% From the total book	Dec-23
10 largest	4.8%
100 largest	13.2%

9.8. Details of Credit Risk Mitigation Exposures

Information regarding the amounts considered for prudential regulation purposes before and after the use of credit risk mitigation instruments are detailed in table CR3, in which the exposures are mitigated essentially by Fiduciary Assignment of Financial Investments, Fiduciary Assignment of Credit Bills, Pledge of Financial Investments, Credit Bills and Treasury Bills.

Credit risk mitigation techniques – overview (CR3)

		a	b	c	d	e
		Dec-23				
	R$ million	Exposures unsecured	Exposures secured	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	553,077	40,111	4,919	35,192	-
2	Debt securities	380,401	248	248	-	-
I	Off Balance sheet	183,662	464	464	-	-
II	Others	335,330	-	-	-	-
3	**Total**	**1,452,470**	**40,823**	**5,631**	**35,192**	**-**
4	of which: defaulted loans	31,031	388	48	340	-

Comments

The exposure considers the Credit Conversion Factor (CCF) and mitigation, with 86% covered by financial guarantees and 14% by collaterals.

The effects of credit risk mitigation in the capital requirements calculation, according to Circular 3,809/16, segregated by asset classes, are detailed in table CR4.

Credit Risk

Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

		a	b	c	d	e	f
		Dec-23					
R$ million		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset Classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density [e/(c+d)]
1	Sovereigns and their central banks	408,200	-	408,200	-	2,020	0
2	Non-central government public sector entities (PSEs)	5,544	4,429	5,544	3,511	5,886	0.7
3	Multilateral development banks	-	-	-	-	-	-
4	Banks and other institutions authorized by the Central Bank of Brazil	58,816	10,521	58,816	6,044	27,620	0.4
5	Covered bonds	-	-	-	-	-	-
6	Non-financial Corporates	145,405	78,676	145,406	49,200	139,191	0.7
6.1	Of which: specialised lending	-	-	-	-	-	-
6.2	Of which: others	145,405	78,676	145,406	49,200	139,191	0.7
7	Equity interests and subordinated debt instruments	34,983	-	34,983	-	34,983	1
8	Retail	270,735	223,175	270,735	73,718	217,813	0.6
9	Exposures guaranteed by real estate	106,465	-	106,465	-	41,726	0.4
9.1	Of which: secured by residential real estate, in which compliance with the financial obligations associated with the exposures is not dependent on cash flows generated by the properties	97,070	-	97,070	-	34,302	0.4
9.2	Of which: secured by residential real estate, in which compliance with the financial obligations associated with the exposures is dependent on cash flows generated by the properties	-	-	-	-	-	-
9.3	Of which: secured by non-residential real estate, in which compliance with the financial obligations associated with the exposures is not dependent on cash flows generated by the properties	-	-	-	-	-	-
9.4	Of which: secured by non-residential real estate in which compliance with the financial obligations associated with the exposures is dependent on cash flows generated by the properties	4,927	-	4,927	-	5,190	1.1
9.5	Of which: relating to real estate developments	4,468	-	4,468	-	2,234	0.5
10	Defaulted exposures	28,226	5,704	28,226	3,193	32,547	1
11	Other assets	234,189	74,801	234,189	48,461	270,982	1
12	**Total**	**1,292,564**	**397,306**	**1,292,564**	**184,126**	**772,767**	**0.5**

Comments

There was an increase of 0.7% in RWA in relation to 3Q23, in line of the portfolio's growth.

The exposures reported in table CR4 are detailed by counterparty and risk weighting factor in table CR5. Both adopt the rules and procedures of BCB Resolution 229/22

Credit Risk

Standardised approach – exposures by asset classes and risk weights (CR5)

R$ million — Dec-23

Asset Classes — **Risk weight**

	Asset Classes	0%	20%	50%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	398,102	10,098		-	-	-	408,200

	Asset Classes	20%	50%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
2	Non-central government public sector entities (PSEs)	-	-		-	9,055	9,055

	Asset Classes	0%	20%	30%	50%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-

	Asset Classes	20%	30%	40%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
4	Banks	11,135	13,243	21,703	7,283	10,079	-	1,025	391	64,860

	Asset Classes	10%	15%	20%	25%	35%	50%	100%	Others	Total credit exposures amount (post CCF and post-CRM)
5	Covered bonds	-	-	-	-	-	-	-	-	-

	Asset Classes	20%	50%	65%	75%	80%	85%	100%	130%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
6	Corporates	-	8,720	114,685	-	-	63,568	6,233	-	-	1,398	194,605
I	Of which: specialised lending	-	-		-	-		-	-	-	-	-
II	Of which: others	-	8,720	114,685	-		63,568	6,233		-	1,398	194,605

	Asset Classes	100%	150%	250%	400%	Others	Total credit exposures amount (post CCF and post-CRM)
7	Subordinated debt, equity and other capital	34,983	-	-	-	-	34,983

	Asset Classes	45%	75%	100%	Others	Total credit exposures amount (post CCF and post-CRM)
8	Regulatory retail portfolios	73,420	215,359	-	55,674	344,453

Credit Risk

R$ million	Dec-23																				
Asset Classes	Risk weight																				
		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
9	Real estate	-	19,968	48,355	-	-	6,246	-	4,617	-	-	22,780	-	-	290	-	-	4,209	-	-	106,465
III	Of which: secured by residential real estate, that compliance with the financial obligations associated with the exposures is not dependent on cash flows generated by the properties	-	19,968	48,355	-		6,246		149		-	22,352	-	-		-			-	-	97,070
III.a	Of which: calculated directly from the values of loans and financing without interference and use of average risk weight factors, each of them obtained from the combination of the risk weight factor associated with the real estate given as collateral and the risk weight factor of borrower	-	19,968	48,355	-		6,246		149		-	22,352	-	-		-			-	-	97,070
III.b	Of which: others	-	-	-	-		-		-		-	-	-	-		-			-	-	-
IV	Of which: secured by residential real estate, that compliance with the financial obligations associated with the exposures is dependent on cash flows generated by the properties				-	-		-		-			-				-		-	-	-
V	Of which: secured by commercial real estate, that compliance with the financial obligations associated with the exposures is not dependent on cash flows generated by the properties	-	-		-		-		4,468	-	-		-	-		-			-	-	4,468
V.a	Of which: calculated directly from the values of loans and financing without interference and use of average risk weight factors, each of them obtained from the combination of the risk weight factor associated with the real estate given as collateral and the risk weight factor of borrower	-	-		-		-		4,468	-									-	-	4,468
V.b	Of which: others	-	-		-		-		-	-	-		-	-		-			-	-	-
VI	Of which: secured by commercial real estate, that compliance with the financial obligations associated with the exposures is dependent on cash flows generated by the properties											427			290			4,209	-	-	4,927
VII	Of which: relating to real estate developments															-			-	-	-

Credit Risk

R$ million	Dec-23					
Asset Classes	**Risk weight**					
	50%	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**	
10 Defaulted exposures	9,065	9,718	12,507	130	31,419	
	0%	**20%**	**100%**	**1250%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
11 Other assets	12,913	-	265,002	-	4,736	282,650

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures

		a	b	c	d
R$ million		Dec-23			
Risk weight		**On-balance sheet exposure**	**Off-balance sheet exposure (pre-CCF)**	**Weighted average CCF***	**Exposure (post-CCF and post-CRM)**
1	Less than 40%	511,965	819	64%	512,487
2	40 - 70%	195,163	152,380	48%	268,958
3	75%	245,588	124,987	28%	281,115
4	80 - 85%	51,679	36,871	59%	73,582
5	90 - 100%	269,310	75,772	65%	318,721
6	105 - 130%	4.209	-	-	4.209
7	150%	14,650	6,478	46%	17,619
8	250%	-	-	-	-
9	400%	-	-	-	-
10	1,250%	-	-	-	-
11	**Total exposures**	**1,292,564**	**397,306**	**46%**	**1,476,690**

* Weighting is based on off-balance sheet exposure (pre-CCF).

Comments

Total credit exposures post FCC and Mitigation increased by 4.84% compared to 3Q23.

Counterparty Credit Risk

10. Counterparty Credit Risk

The counterparty credit risk, to which the Organization is exposed, is represented by the possibility of loss due to the counterparty default of their obligations relating to the settlement of operations involving bilateral flows, including the financial asset trading or derivatives.

The Organization exercises complete control over the replacement cost and the potential future exposure of operations involving counterparty risk. Thus, all exposure related to this risk is part of the general credit limits set for the Organization's customers.

In conclusion, the Counterparty Credit Risk management encompasses modeling and monitoring (i) of counterparties credit limits consumption, (ii) of the adjustment of parcel to the credit fair value of derivatives portfolio (CVA, Credit Value Adjustment), segregated by counterparty, and (iii) of the respective regulatory and economic capital. The methodology adopted by the Organization, establishes that, exposition of the credit portfolio to a given counterparty, can be calculated from the Reposition Cost (RC) of its operations in different scenarios of the financial market, what is possible through the process of Monte Carlo simulation.

In risk management context, the Organization conducts studies of capital projection, such as the Stress Test of the ICAAP (Internal Capital Adequacy Assessment Process) and TEBU (Bottom-Up Stress Test). These multidisciplinary programs minimally involve the Business areas and the Economic, Budget / Result and Risk departments.

Regarding the mitigation manners of the counterparty credit risk that the Organization is exposed, the most usual is the composition of guarantees like, deposits of margin and disposal of Government bonds, which are, performed by the counterparty in the Organization or in other custodian institution, which has its counterparties risks duly assessed.

From June/19, the exposure value calculation related to counterparty credit risk arising from operations with derivatives financial instruments subject to the calculation of the capital requirement through a standardised approach (RWA_{CPAD}) was updated to Standardized Approach for Counterparty Credit Risk, according the Annex I of BCB Resolution 229/22.

10.1. Details of Counterparty Credit Risk Exposure

Table CCR1 presents an overview of the approach used to calculate the capital requirement for counterparty credit risk in derivative transactions, repurchase agreements (repo) and asset loan transactions, and provide the main parameters employed, as established in Circulars 3,809/16, and in BCB Resolution 229/22.

Counterparty Credit Risk

Analysis of Counterparty Credit Risk (CCR) exposure by approach (CCR1)

		a	b	d	e	f
		Dec-23				
R$ million		Replacement cost	Potential future exposure	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR Approach	7,552	6,489	1.4	19,657	15,512
1.1	CEM (Current Exposure Method) Approach	-	-		-	-
3	Simple Approach for credit risk mitigation (for SFTs)				-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)				513,818	7,842
6	**Total**					**23,354**

Comments

Compared to the previous quarter, there was a reduction in exposure in operations with derivative financial instruments and an increase in repo operations.

Table CCR3 details the counterparty credit risk exposures in derivative transactions, repurchase transactions (repo) and asset lending transactions subject to the standardised approach, as established in BCB Resolution 229/22, by type of counterparty and risk weight factor.

Standardised approach of CCR exposures by regulatory portfolio and risk weights (CCR3)

	Dec-23									
	Risk weight									i
R$ million	a	b	c	d	d1	e1	f	g	h	Total credit exposure
Regulatory portfolio	**0%**	**10%**	**20%**	**50%**	**65%**	**85%**	**100%**	**150%**	**Others**	
Sovereigns	177,407	-	-	-	-	-	-	-	-	177,407
Non-central government public sector entities (PSEs)	-	-	-	-	4	-	11	-	-	15
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Financial and other institutions authorized by the Central Bank of Brazil	26,766	-	558	887	-	-	-	4	2,732	30,948
Non-financial Corporates	300,716	-	-	-	7,399	-	16,264	-	-	324,379
Other	-	-	-	727	-	-	-	-	-	727
\\ Total	**504,889**	**-**	**558**	**1,614**	**7,402**	**-**	**16,275**	**4**	**2,732**	**533,475**

Comments

Compared to the previous quarter, there was a reduction in exposure in operations with derivative financial instruments and an increase in repo operations.

Counterparty Credit Risk

Table CCR5 details the types of collateral received or delivered in derivative transactions, repurchase transactions (repo) and asset lending, as established on Circular 3,809/16, including transactions carried out through central counterparties.

Composition of collateral for CCR exposure (CCR5)

	a	b	c	d	e	f
	Dec-23					
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
R$ million	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	40	-	79	-	-
Domestic sovereign debt	1,736	-	12,421	-	44,229	115,344
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	4,227	14,649
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
\\\\ Total	**1,736**	**40**	**12,421**	**79**	**48,456**	**129,993**

Comments

In relation to the previous quarter, there was an increase in collateral received and posted collateral in repo operations.

Table CCR6 presents information on the notional and fair value of credit derivatives (transferred risk and received risk), before offsetting short and long positions.

CCR information regarding credit derivatives exposures (CCR6)

	a	b
	Dec-23	
R$ million	Protection bought	Protection sold
\\\\ Notionals	**1,297**	**5,711**
Single-name credit default swaps	1,297	2,045
Index credit default swaps	-	-
Total return swaps	-	3,666
\\\\ Total notionals	**-**	**-**
\\\\ Fair values	**27**	**142**
Positive fair value (asset)	27	-
Negative fair value (liability)	-	142

Comments

In relation to the previous quarter, there was a decrease in credit derivatives exposures with protection sold and in protection bought.

Counterparty Credit Risk

Table CCR8 presents an overview of exposures to central counterparties.

CCR information regarding exposures to central counterparties (CCR8)

		a	b
		Dec-23	
	R$ million	EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		**211**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which:	9,469	189
3	(i) OTC derivatives	662	13
4	(ii) Exchange-traded derivatives	8,807	176
5	(iii) Asset loans and repurchase operations (repo)	-	-
I	(iv) Other operations	-	-
7	Financial collateral constituted, except as variation margin, promptly returned to the institution, in the event of liquidation, bankruptcy or similar action of QCCPs	11,666	
8	Financial collateral constituted, except as variation margin, that is not promptly returned to the institution, in the event of liquidation, bankruptcy or similar action of QCCPs	-	-
9	Pre-funded default fund contributions	156	22
10	Participation in a mutualized, contingent and future guarantee fund, which may be required by QCCPs	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Asset loans and repurchase operations (repo)	-	-
II	(iv) Other operations	-	-
17	Participation in contingent and future mutualized guarantee funds that may be required by QCCPs	-	
18	Financial collateral constituted, except as variation margins, that are not promptly returned to the institution, in the event of liquidation, bankruptcy or similar action of non-qualified CCPs	-	-
19	Pre-funded default fund contributions	-	-
20	Participation in a mutualized, contingent and future guarantee fund, which may be required by non-qualified CCPs	-	-

Comments

In relation to the previous quarter, there was a decrease in exposures for trades at QCCPs and an increase in segregated initial margin.

Securitisation Exposures

11. Securitisation Exposures

Securitisation is the process in which the cash flows associated with a set of underlying assets is used for the securities remuneration in accordance with the established governance process, using as a form of Balance Sheet composition.

The portfolio comprises CRA - Agribusiness Receivables Certificate, CRI - Real Estate Receivables Certificate and FIDC - Credit Rights Investment Funds, as shown below:

- **CRA - Agribusiness Receivables Certificate:** Instructed by Law 11,076/2004, constitute a registered credit security, issued exclusively by securitisation companies and backed by Agribusiness Credit Rights;
- **CRI - Real Estate Receivables Certificate:** Instructed by Law 9,154/1997, constitute a nominative credit title, freely negotiated, backed by real estate activities, covering transaction financing or improvements;
- **FIDC - Credit Rights Investment Funds:** Complies with CVM instructions, with the pooling of resources allocating a preponderant portion of the respective shareholders' equity for investment in credit rights (sundry receivables).

Such transactions are consolidated in the Organization's Prudential Balance, according to the following categories:

- **Trading Securities:** Securities acquired for the purpose of being actively and frequently traded;
- **Securities available for sale:** Securities that do not fall under the categories of securities for trading and securities held to maturity;
- **Securities held to maturity:** securities that have the intention and financial capacity of the institution to hold them in portfolio until maturity.

Securitised operations with risk retention follow the criteria established by BCB Resolution 3,533/08, in which the seller or assignor retains substantially all the risks and benefits of ownership of the financial asset object of the operation.

The exposures are part of the securitization traditional type, which is the process in which the flow of receipts associated with a set of underlying assets is used for the remuneration of securitisation bonds.

The Bradesco Organization does not operate as a sponsor of Special Purpose Entities (SPE), as well as does not it manage or advise entities on the acquisition of securitization securities issued by itself.

In addition, in the past few years there has been no sale or transfer of assets without substantial risk retention. Since all the assigned operations were subject to substantial risk retention.

Securitisation Exposures

11.1. Details of Securitisation Exposures

The total of exposures assigned with substantial risk retention in the last 12 months, which have been honored, repurchase, or written off for losses, broken down by quarter, is detailed below:

Total exposures assigned with substantial risk retention, in the last 12 months (SECAe)

	R$ million	Oct-23 to Dec-23	Jul-23 to Sep-23	Apr-23 to Jun-23	Jan-23 to Mar-23
1	**Total exposures assigned with substantial risk retention**	**3**	**6**	**5**	**9**
2	Total honored exposures	-	-	-	-
3	Total repurchased exposures	3	6	5	9
4	Total write-off	-	-	-	-

Securitisation exposures in the banking book (SEC1)

The following table provides information on securitisation exposures classified in the banking book.

		a	c	d	e	g	h	i	k	l
		Dec-23								
		Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
	R$ million	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	**Retail (total), of which:**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other	-	-	-	-	-	-	-	-	-
5	re-securitisation	-	-	-	-	-	-	-	-	-
6	**Wholesale (total), of which:**	**-**	**-**	**-**	**-**	**-**	**-**	**1,791**	**-**	**1,791**
7	loans to non-financial corporates	-	-	-	-	-	-	1,778	-	1,778
8	commercial mortgage	-	-	-	-	-	-	13	-	13
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other	-	-	-	-	-	-	-	-	-
11	re-securitisation	-	-	-	-	-	-	-	-	-

Comments

In relation to the previous quarter, there was an increase in Credit Rights Funds.

Securitisation exposures in the trading book (SEC2)

Information on securitisation exposures classified in the trading book, which the Organization does not have exposures for this database.

Securitisation Exposures

Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)

Information on securitisation exposures classified in the banking book and the associated regulatory capital requirements when the bank is acting as originator or as sponsor, which the Organization does not have exposures for this database.

Securitisation exposures in the banking book and associated capital requirements – bank acting as investor (SEC4)

Information on securitisation exposures classified in the trading book and the associated regulatory capital requirements when the bank is acting as originator or as sponsor.

		a	b	c	d	e	h	i	l	m	p	q
		Dec-23										
		Exposure values (by RW bands)					Exposure values (by regulatory approach)		RWA (by regulatory approach)		Capital charge after cap	
R$ million		≤20%	20% < RW ≤ 50%	50% < RW ≤ 100%	100% < RW < 1,250%	1,250%	SA	1,250%	SA	1,250%	SA	1,250%
1	**Total exposures**	**-**	**1,204**	**-**	**587**	**-**	**1,791**	**-**	**1,323**	**-**	**106**	**-**
2	**Traditional securitisation:**	**-**	**1,204**	**-**	**587**	**-**	**1,791**	**-**	**1,323**	**-**	**106**	**-**
3	Of which: securitisation	-	1,204	-	587	-	1,791	-	1,323	-	106	-
4	Of which: retail underlying assets	-	-	-	-	-	-	-	-	-	-	-
6	Of which: non-retail underlying assets	-	1,204	-	587	-	1,791	-	1,323	-	106	-
8	Of which: re-securisation	-	-	-	-	-	-	-	-	-	-	-
9	**Synthetic securitisation:**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Of which: securitisation	-	-	-	-	-	-	-	-	-	-	-
11	Of which: retail underlying assets	-	-	-	-	-	-	-	-	-	-	-
12	Of which: non-retail underlying assets	-	-	-	-	-	-	-	-	-	-	-
13	Of which: re-securisation	-	-	-	-	-	-	-	-	-	-	-

Comments

In relation to the previous quarter, there was an increase in Credit Rights Funds.

12. Market Risk

Market risk is represented by the possibility of financial loss due to fluctuating prices and market interest rates of financial instruments held by the Organization, as its asset and liability transactions may show mismatched amounts, maturities, currencies and indexes.

Market risk is identified, measured, mitigated, controlled and reported. The Organization's exposure profile to market risk is in line with the guidelines established by the governance process, with limits timely monitored on an independently way from the businesses areas.

All transactions that expose the Organization to market risk are mapped, measured and classified according to probability and magnitude, and the whole process is approved by the governance structure.

In line with the best Corporate Governance practices, to preserve and strengthen the management of market risk in the Organization, as well as to meet the requirements of CMN Resolution 4,557, the Board of Directors approved the Market Risk Management Policy, reviewed at least once a year by the competent committees and the Board of Directors itself, providing the main operational guidelines for accepting, controlling and managing market risk. In addition to this policy, the Organization has several specific rules that regulate the market risk management process, as follows:

- Classification of Operations;
- Reclassification of Operations;
- Trading of Government and Private Bonds;
- Use of Derivatives; and
- Hedge.

12.1. Strategies used in Market Risk Management

12.1.1. Limit Definition

The trading book market risk limit proposals are validated by specific committees, ratified by the Integrated Risk Management and Capital Allocation Committee and submitted for approval by the Board of Directors.

Trading Book: it comprises all operations involving financial instruments, including derivatives, held-for-trading or used to hedge other instruments in the Trading Book, which have no trading restrictions. Held-for-trading operations are those destined for resale, to obtain benefits from actual or expected price variations, or for arbitrage. The risks of this portfolio are monitored through of:

- Value at Risk (VaR);
- Stress (negative impact measure of extreme events, based on historical and prospective scenarios);
- P&L (profit and loss); and
- Financial Exposure / Concentration.

Market Risk

12.1.2. Market Risk Measurement Models

Market risk is measured and controlled using the Stress, Value at Risk (VaR) and Sensitivity Analysis methodologies, as well as limits for the Management of P&L and Financial Exposure. Using several methodologies to measure and evaluate risks is of great importance, because they can complement each other and their combination allows the analysis of different scenarios and situations.

Trading and Regulatory Books

Trading Book risks are controlled, principally, using Stress and Value at Risk (VaR) methodologies. The Stress methodology quantifies the negative impact of economic shocks and extreme economic events that are financially unfavorable to the Organization's positions, the analysis uses stress scenarios prepared by the Market Risk area and the Organization's Economic area based on historical and forward looking data for the risk factors in which the Organization holds a position.

The methodology adopted to calculate VaR is the Delta-Normal, with a confidence level of 99% and considering the number of days necessary to unwind the existing exposures. The methodology is applied to the Trading and Regulatory Books (Trading Book positions plus Banking Book foreign currency and commodities exposures). It is worth noting that the historical simulation and the Delta–Gama–Vega models are applied to measure all risk factors to an options portfolio, whichever is the most conservative. A minimum 252-business-day period is adopted to calculate volatilities, correlations and historical returns.

For regulatory purposes, the capital requirements relating to shares of the Banking Book Prudential Conglomerate are determined through the credit risk evaluation, as per Central Bank of Brazil resolution, i.e., they are not considered in assessing market risk.

12.1.3. Hedge and Use of Derivatives

In order to standardize the use of financial instruments used to hedge the operations and use of derivatives by the Treasury Department, the Organization created specific rules that were approved by the competent Committees.

The hedge operations executed by Organization's Treasury Department must necessarily cancel or mitigate risks related to mismatches quantities, terms, currencies or indexes of the positions in Treasury's books, for which they must use assets and derivatives authorized to be traded in each of their books to:

- Control and classify the operations, respecting the exposure and risk limits in effect;
- Alter, modify or revert positions due to changes in market and operating strategies; and
- Reduce or mitigate exposure of operations in idle markets, under stress or low liquidity conditions.

12.1.3.1. Hedge Accounting

Implemented in order to reduce the volatility of the accounting result, hedge accounting ensures that a gain or loss on a hedge instrument is recognized in the result in the same period in which the hedged item affects the result.

Transactions with derivative financial instruments for hedging are classified in one of the following categories:

- **Market risk hedge:** financial instruments classified in this category, as well as their related financial assets and liabilities, hedged, have their gains and losses, realized or unrealized, recorded in the income statement;
- **Cash flow hedge**: financial instruments classified in this category have an effective portion of the recorded valuations or devaluations, net of tax effects, in an account detach in shareholders' equity. The non-effective portion of the respective hedge is recognized directly in the income statement; and
- **Net investment hedge abroad:** the financial instruments classified in this category are intended to protect the foreign exchange variation of investments abroad, whose functional currency is different from the national currency, being accounted for in accordance with the accounting procedures applicable to the cash flow hedge category cash, that is, with the effective portion recognized in equity, net of tax effects, and the non-effective portion recognized in income for the period.

For derivatives classified in the hedge accounting category, there is the following: (i) effectiveness of the strategy, through prospective and retrospective effectiveness tests, and (ii) mark-to-market of hedge instruments.

12.1.3.2. Standardized Derivatives and Continued Use Derivatives

The Organization's Treasury Department may use standardized derivatives (traded in stock exchanges) and continued use derivatives (traded in over-the-counter markets) to obtain results and create hedges. The derivatives classified as continuous use, ordinarily traded in over-the-counter markets, such as vanilla swaps (interest rates, currencies, Credit Default Swap, among others), forward contracts (i.e., currencies), vanilla options (currency, Bovespa Index), among others. Non-standardized derivatives not classified as continued use or structured operations depend upon the authorization of the competent Committee.

12.2. Market Risk Management Process

The market risk management process is conducted in a corporate manner, comprising from business areas to the Board of Directors. It involves diverse areas, with specific duties in the process, thereby ensuring an efficient structure, and the measurement and control of market risk is conducted in a centralized and independent manner. This process allowed the Organization to be the first financial institution in Brazil authorized by Central Bank of Brazil to use, since January 2013, its internal market risk models to calculate regulatory capital requirements. This process, approved by the Board of Directors, is also revised at least once a year by the Committees and the Board itself.

12.2.1. Control and Monitoring

Market risk is controlled and monitored by an independent area, the Integrated Risk Control Department (DCIR), which, on a daily basis, measures the risk of outstanding positions, consolidates results and prepares reports required by the existing governance process.

In addition to daily reports, Trading Book positions are discussed on a fortnightly basis by the Treasury Executive Committee, in this meeting, results and risks are assessed and strategies are discussed. Both the governance process and existing thresholds are ratified by the Integrated Risk Management and Capital Allocation Committee and submitted to approval of the Board of Directors, and they are revised at least once a year.

In case of any threshold controlled by the Integrated Risk Control Department (DCIR) being exceeded, the Head of the business area responsible for the position is informed that the threshold was reached, and the Integrated Risk Management and Capital Allocation Committee is called upon in a timely fashion to make a decision. If the Committee decides to raise the threshold and/or maintain the positions, the Board of Directors is called upon to approve the new threshold or revise the strategy position.

12.2.2. Internal Reporting

The Market Risk area provides daily managerial control reports on the positions to the business areas and Senior Management, in addition to weekly reports and periodic presentations to the Board of Directors.

Reporting is conducted through an alert system, which determines the addressees of risk reports as a previously determined risk threshold percentage is reached; therefore, the higher the risk threshold consumption, more Senior Management members receive the reports.

12.3. Main Features of Models Used

12.3.1. Value at Risk – VaR

The methodology adopted to calculate VaR is the Delta-Normal, with a confidence level of 99%, and for the managerial model, the horizon applied takes into account the number of days necessary to dispose of existing exposures. The methodology is applied to the Trading and Regulatory Books (Trading Book positions plus Banking Book foreign currency and commodities exposures). In additional, the historical simulation and the Delta–Gama–Vega models are applied to measure all risk factors to an options portfolio, whichever is the most conservative, with this option risk added to the Portfolio's VaR. It is worth noting that this calculation is carried out daily and, for the regulatory model, the value at risk is extrapolated to the regulatory time horizon (greater between 10 days and the portfolio horizon), through the root of time method.

Market Risk

12.3.2. Stressed VaR – sVaR

The Stressed VaR (sVaR) is calculated daily in order to replicate the VaR calculation that would be obtained in a given historical period of stress, but using the Organization's current portfolio. The volatilities and correlations are calculated as of January 2005 for the risk factors present in the current portfolio, and the model for calculating the volatilities and correlations adopted by the Organization, specifically for the Stressed VaR, does not use decay. Once the history of volatilities and correlations is found, the current position VaR is calculated considering the historical parameters, making it possible to determine the date on which the highest VaR for the portfolio was obtained. The selected stress date will also be applied to the Stressed VaR of the options portfolio. The verification of the stress period to be used in the sVaR calculations is carried out monthly. Besides that, similarly to the daily VaR, the Stressed VaR is also extrapolated to the regulatory time horizon (greater between 10 days and the portfolio horizon) through the root of time method and its pricing approach detailed in item 12.3.7 Financial Instrument Pricing.

12.3.3. VaR Internal Model – Backtesting

The risk methodology applied is continuously assessed using backtesting techniques, which compare the one-day period VaR with the hypothetic and effective results.

In the hypothetical view, the result is calculated through the revaluation of positions at new market prices, assuming the maintenance of the portfolio from one day to the next. In the effective view, the impacts of positions reevaluation, the results of new operations carried out during the day, day trades and other items not related to market price variations, for example, fees, commissions and brokerage costs, are considered.

The main purpose is to monitor, validate and assess the adherence of the VaR model, and the number of disruptions occurred must be compatible with the number of disruptions accepted by the statistical tests conducted for the certain confidence level. Another objective is to improve the models used by the Organization through analyses carried out for different periods and VaR confidence levels, both for Portfolio Total VaR and risk factor.

12.3.4. Models – Utilization in the Prudential Conglomerate

The measurement and control of risks associated with the Trading and Regulatory portfolios is carried out in an analogous and joint manner for all companies that comprise the Organization's Prudential Conglomerate.

12.3.5. Differences between Management Model and Regulatory Model

Of a managerial nature, the stress analysis seeks to quantify the negative impact of shocks and extreme economic events that are significantly unfavorable to the Organization and that are not captured by other market risk measures, such as VaR Delta-Normal, for example. On the other hand, the regulatory model used for stress scenarios is the sVaR, whose objective is to replicate the VaR calculation that would be done in a given historical period of stress, but using the institution's current portfolio.

Also, due to the size of some positions, the Organization, in its management model, seeks to quantify the number of days necessary for a given position to be liquidated or hedged, this assessment being made by risk factor. In light of this, its management model makes use of liquidity factors, calculated daily, to calculate VaR. Such methodology differs from that addressed in the regulatory model, since in the latter, a window corresponding to the highest value between 10 working days and the portfolio horizon is adopted, with this window being fixed and the same for all instruments in the portfolio.

Market Risk

12.3.6. Volatility, Correlation and Return

The model adopted by the Organization to estimate volatility is the Exponentially Weighted Moving Averages (EWMA), with daily update, considering in its calculations the continuous return of 1 working day. To estimate the volatility for the reference date, a w252 working days window is used, starting on the working date immediately before the reference date. The parameter related to the weight given to each return is the exponential decay factor, which determines the rate at which past returns lose importance in volatility calculation. To estimate the most appropriate portfolio' decay factor, at least a biweekly study is carried out, based on the main risk factors that make up the Trading Portfolio plus currency and commodity exposures. Regarding the sample size, a minimum 252 working days window is adopted for the determination of volatilities and correlations.

As for the volatility, the model adopted by the Organization to calculate the correlation is the EWMA, with daily update, emphasizing that the daily returns, the sample size (252 working days) and the decay factor are the same adopted for the calculation volatility. As determined by BCB Circular 3,674, and in accordance with governance approved by the Committee, the highest value between VaR calculated with a decay factor (assigns greater weight to the most recent returns) and VaR without a decay factor (returns have equal weights).

12.3.7. Financial Instrument Pricing

To adopt the best market prices related to the assessment of financial instruments' market value, was established the Mark-to-Market Commission (CMM), which is responsible for approving or submitting mark-to-market models to the Market and Liquidity Risk Commission. CMM is composed of business, back-office and risk representatives, and the risks area responsible for the coordination of the Commission and for the submission of the matters assessed to the Risk Management Executive Committee, for reporting or approval, whichever is the case.

Whenever possible, the Bank adopts prices and rates practiced by the Securities, Commodities and Futures Exchanges and the Secondary Markets. Should these market references not be found, prices made available by other sources (such as Bloomberg, Reuters and Brokerage Firms) are used. As a last option, proprietary models are adopted to price instruments, which also follow the Mark-to-Market Commission (CMM) approval procedure and are submitted to the Organization's validation and assessment processes.

Mark-to-market criteria are periodically reviewed, according to the governance process, and may vary due to changes in market conditions, creation of new classes of instruments, establishment of new sources of data or the development of models considered more appropriate.

The financial instruments to be included in the Trading Book must be approved by the Treasury Executive Committee or the Products, Services and Partnerships Executive Committee and their pricing criteria must be defined by the CMM.

Market Risk

The following principles for the mark-to-market process are adopted by the Organization:

- **Commitment:** The Organization is engaged in guaranteeing that the prices used reflect the market value of the operations. Should information not be found, the Organization will use its best efforts to estimate the market value of the financial instruments;
- **Frequency:** the formalized mark-to-market criteria are applied on a daily basis;
- **Formality:** the CMM is responsible for ensuring the methodological quality and the formalization of the mark-to-market criteria;
- **Consistency:** the process to gather and apply prices is carried out consistently, to guarantee equal price to a type of instrument within the Organization;
- **Transparency:** the methodology must be accessible by the Internal and External Audit and Independent Model Validation areas and by Regulatory Agencies.

In December 2014, the Brazilian National Monetary Council published Resolution 4,389, which amended Resolution 4,277. These resolutions set forth the basic procedures that entities must follow in pricing financial instruments to market value and the guidelines to apply prudential adjustments to these instruments. According to the abovementioned procedures, the Organization is already aligned with these resolutions' guidelines, including applying due prudential adjustments required by regulations.

12.4. Details of Market Risk Exposures

The MR1 table provides the components of the capital requirement under the standardised approach – SA (RWA_{MPAD}) for market risk.

Market risk under the standardised approach (MR1)

		a		
		Dec-23	Sep-23	Dec-22
R$ million		RWA_{MPAD}	RWA_{MPAD}	RWA_{MPAD}
1	**Interest rate**	**10,715**	**12,488**	**5,002**
1a	Fixed Rate in Reais (RWA_{JUR1})	2,292	4,107	1,261
1b	Foreign Currency Coupon (RWA_{JUR2})	2,680	2,979	977
1c	Price Index Coupon (RWA_{JUR3})	5,743	5,402	2,764
1d	Interest Rate Coupon (RWA_{JUR4})	-	-	-
2	**Shares (RWA_{ACS})**	**438**	**310**	**937**
3	**Foreign exchange (RWA_{CAM})**	**1,090**	**1,250**	**1,784**
4	**Commodity (RWA_{COM})**	**788**	**2,708**	**552**
9	**Total**	**13,031**	**16,757**	**8,275**

Comments

In relation to the previous period, the main factor that contributed to the reduction in the Market Risk RWA for the standardised approach (RWAMPAD) was the decrease in commodity exposure.

In compliance with the BCB Resolution 111/21, the Organization informs that no instruments reclassifications for the trading book or for the banking in the fourth quarter of 2023.

Market Risk

The MR2 table provides the components of the capital requirement under the internal model approaches – IMA (RWA_{MINT}) for market risk, according to Circular 3,646/13, for calculating the capital requirement.

RWA_{MINT} flow statements of market risk exposures under an IMA (MR2)

		a	b	e	f
		Dec-23			
R$ million		VaR	Stressed VaR	Other	Total RWA_{MINT}
1	**RWAmint at previous data base (Sep-23)**	**4,546**	**7,329**	**-**	**11,875**
2	Movement in risk levels	(1,012)	(847)	-	(1,859)
3	Updates/changes to the internal model	-	-	-	-
4	Methodology and regulation	-	-	-	-
5	Acquisitions and disposals	-	-	-	-
6	Foreign exchange movements	4	7	-	11
7	Other	(57)	(11)	-	(68)
	Regulatory Adjustment	(471)	1,605	-	1,134
8	**RWAmint at end of reporting period (Dec-23)**	**3,010**	**8,083**	**-**	**11,093**

Comments

Compared to the previous period, the main factor that contributed to the decrease in the Market Risk RWA for the internal model approach (RWAMINT) was the reduction of the average exposure in foreign currency.

MR3 table, display the values (maximum, average, minimum and end of quarter) resulting from the IMA.

IMA values for trading portfolios (MR3)

		a		
R$ million		Dec-23	Sep-23	Dec-22
\\ VaR (10 day 99%)				
1	Maximum value	60.8	123.3	83.0
2	Average value	43.6	66.0	46.7
3	Minimum value	27.8	37.1	33.2
4	Quarter end	55.3	69.3	63.1
\\ Stressed VaR (10 day 99%)				
5	Maximum value	158.3	170.7	192.3
6	Average value	115.8	105.9	79.2
7	Minimum value	69.4	71.2	41.5
8	Quarter end	85.3	115.2	70.1

Comments

The decrease in exposure to foreign currency influenced the average value VaR observed in the quarter, compared to the previous period.

The MR4 table presents a comparison of the results of estimates from the regulatory VaR model with both hypothetical and actual trading outcomes, in market risk RWA determined under the IMA, according to Circular 3,646/13.

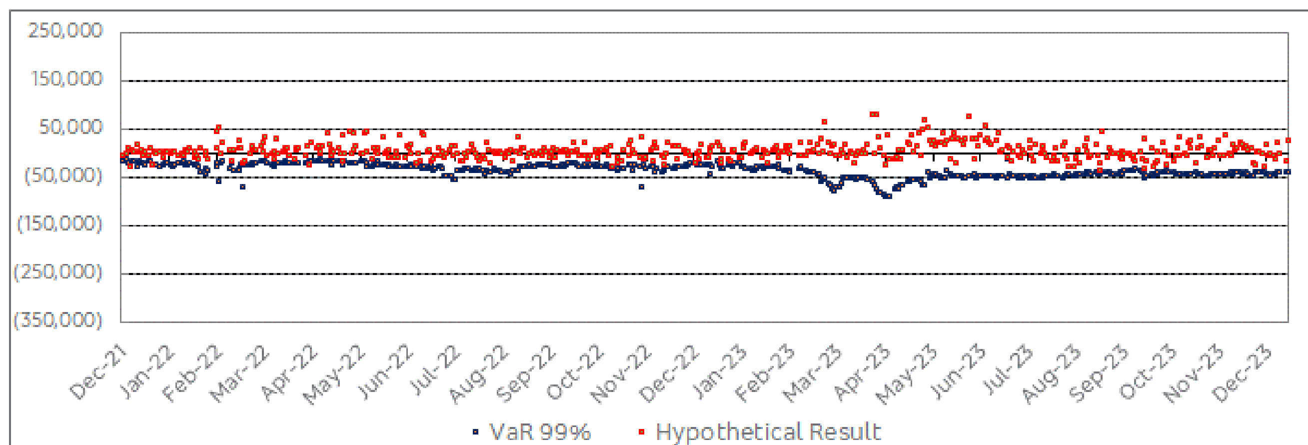
Market Risk

Comparison of VaR estimates with gains/losses (MR4)

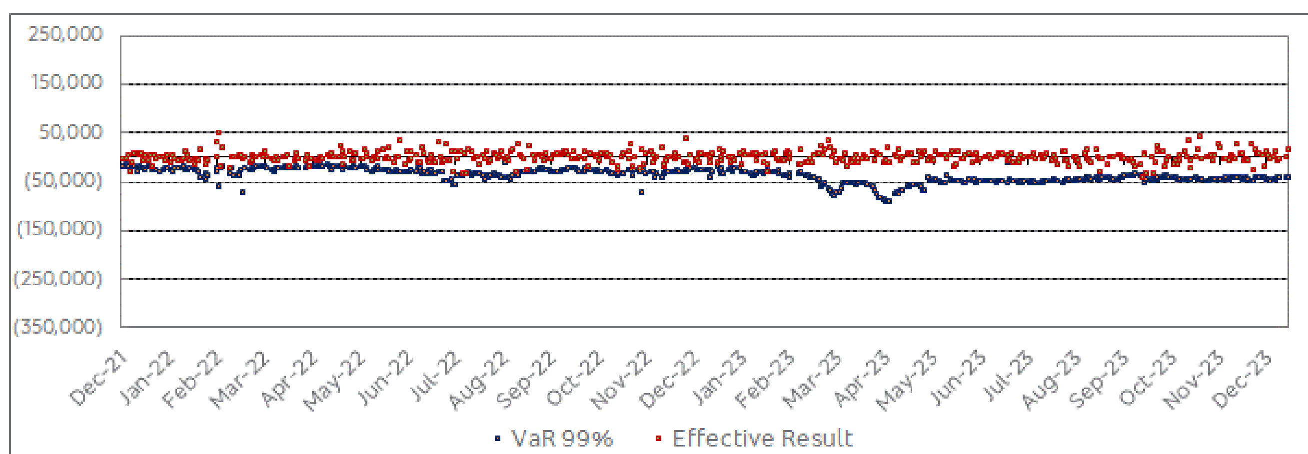
The following two graphs show the VaR of the Regulatory Portfolio for 1 day and the hypothetical and effective results, calculated daily. The actual result includes fees, brokerage, emoluments and commissions.

The Organization uses an internal market risk model, so the capital requirement associated with the model is 100%.

Daily VaR and Hypothetical Regulatory Result



Daily VaR and Regulatory Effective Result



	R$ thousand			
Opening date	1-day VaR	Effective Result	Hypothetical Result	Reasons
04/22/22	17,647	17,260	23,771	Risk aversion driven by the prospect of further monetary tightening by the Federal Reserve Bank.
09/27/23	38,316	38,776	12,637	Ibovespa has sharply fallen, influenced by US interest rates, Copom minutes and local inflation.

Market Risk

Total exposure associated with derivatives is presented in the table below.

Total exposure associated with derivatives (OPD)

	a	b	c	d	e	f	g	h
R$ million	Dec-23							
Position	Long				Short			
Risk Factor	Central Counterparty		Non Central Counterparty		Central Counterparty		Non Central Counterparty	
	Brazil	Abroad	Brazil	Abroad	Brazil	Exterior	Brazil	Abroad
1 Interest Rate	72,411	967	107,302	23,013	(143,638)	(1,150)	(90,940)	(26,154)
2 Exchange Rate	7,702	128	53,446	16,410	(37,033)	(112)	(31,757)	(24,765)
3 Stock Prices	2,266	346	239	-	(1,695)	(333)	(2,092)	(966)
4 Commodities Prices	5	216	760	-	(0)	(785)	(182)	-

Comments

Trading and Banking Book Derivatives.

Interest Rate Risk in the Banking Book

13. Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk in the banking book (IRRBB) can be understood as the possibility of an institution being negatively impacted in its results and in its capital, due to eventual variations in the level of interest rates and their respective impacts on the bank portfolio.

Banking Book: it comprises operations not classified in the Trading Book, arising from Organization's other businesses and their respective hedges.

13.1. IRRBB Management Process

The interest rate risk in the Banking Book is measured and controlled, mainly, using the Economic Value of Equity (EVE) variation methodologies, and the Net Interest Income (NII), which respectively measure, the economic impact on the positions and the impact on the result of the Organization, according to scenarios prepared by the Organization's economic area. These scenarios determine the positive and negative movements of interest rate curves that may affect Organization's investments and capital raising.

The EVE methodology consists of re-pricing the portfolio subject to interest rate variation based on increases or decreases in the rates used to calculate the present value and the total term of assets and liabilities. Thus, the economic value of the portfolio is calculated both based on the market interest rates on the analysis date as well as on scenarios projected. Thus, the difference between the amounts obtained for the portfolio will be ΔEVE.

For NII, the methodology aims to determine the variation in the net interest income of the Organization (gross margin), due to eventual variations in the level of interest rate, in other words, the difference between the NII calculated in the base scenario and the NII calculated in the increase or decrease of the interest rate scenario, will be ΔNII.

To measure the interest rate risk in the Banking Book, assumptions related to the customer behavior are used when necessary. As a reference, for demand and savings deposits with undetermined maturity, it is studied their historical behaviors and the possibility of maintaining them. Through these studies, are defined the stable amount (core portion), as well as, its criteria for the long-term allocation.

13.1.1. Calculation Metrics

All the mentioned metrics are calculated to meet the Governance of the Treasury for Asset and Liability Management Executive Committee, which provides for a fortnightly measurement. The reassessment of the shock scenarios occurs after each meeting of the Monetary Policy Committee (COPOM). If necessary, due to some specific demand, it is also possible to update the calculation in other periods.

Interest Rate Risk in the Banking Book

13.1.2. Shock and Stress Scenarios

In addition to the standardized scenarios defined by the Regulator, the Organization's shock scenario generation process, used by the internal model in IRRBB calculating, includes quantitative approaches, based on statistical studies and simulations, as well as a prospective approach, which is under the direct responsibility of Studies and Economic Research Department (DEPEC), with review by the Stress Testing Technical Commission – COTES.

The analysis period is between January 2004 and the end of the month prior to the revaluation of the scenario. This cut-off date was chosen so that, simultaneously: (i) capturing the most recent period of Brazilian economy, considering the various structural changes that occurred and the consequent downward trend of variables under analysis; and (ii) to capture the 2008 global crisis, which, by characterizing a period of stress per se, includes most of the maximum fluctuations observed in the risk factors in question.

13.1.3. IRRBB Measurement

Internal Model

The Organization has, in addition to the standardized methodology defined by the regulator, its own internal models that consider assumptions similar to the regulatory model. Among these assumptions, the following stand out:

- The Non Maturity Deposits (NMDs) are based on statistical studies that take into account evolution and behavior historical;
- Shocks are elaborated by the Studies and Economic Research Department (DEPEC), reviewed by the Stress Testing Technical Commission – COTES and validated by the Treasury for Asset and Liability Management Executive Committee based on historical data, statistical studies and prospective analyzes;
- Shareholders' equity is used to calculate metrics.

Modeling and Standardization

We chose to consider the average spread of each product in the discount rate used in the calculation of its present value, that is, the discount rate includes the risk-free rate with the addition of the respective product spread.

The prepayment and early redemption models were based on statistical studies considering harvests and historical evolution of each product.

It is also important to mention that the internal shock scenarios consider consistencies between the risk factors, so that all the results or sensitivities generated can be added up.

Non Maturity Deposits (NMD)

Regarding NMD, both the internal model and the regulatory model have a similar maturity profile according to statistical studies based on aggregate balances. However, the regulatory model respects the average term defined by Circular 3,876.

Interest Rate Risk in the Banking Book

13.1.4. Hedge and Use of Derivatives

The assets and liabilities mismatches management generated by the Organization's business in Brazil and abroad, in addition to hedging external assets, is carried out based on the analysis of the political-economic, national and international scenarios.

The results, strategies, behaviors and risks of mismatches and indexes maintained by the Organization are monitored and endorsed by the Treasury for Asset and Liability Management Executive Committee.

Asset and Liability management seeks to adjust the accounting treatment of the operations used for hedging with the behavior of the underlying assets and liabilities, in addition to aligning the strategic objective of maintaining the hedge.

13.2. IRRBB Details

The following table provides the variation metrics of Economic Value (ΔEVE) and variation of the result of financial intermediation (ΔNII), as established in Circular 3,876/18, under each of the prescribed interest rate standardized scenarios.

Quantitative information on IRRBB (IRRBB1)

R$ million	ΔEVE		ΔNII	
Period	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Parallel up	8,168	10,346	4,456	6,321
Parallel down	(12,818)	(9,825)	(6,233)	(6,297)
Short rate up	9,030	10,653		
Short rate down	(11,649)	(11,432)		
Steepener	(5,816)	(5,981)		
Flattener	7,161	8,318		
Maximum	9,030	10,653	4,456	6,321

Period	**Dec-23**	**Dec-22**
\\ Tier 1 capital	**125,412**	**120,624**

Comments

The decrease observed in the Outlier Test (maximum), from R$ 10.7 billion in the 4Q22 to R$ 9.0 billion in the 4Q23 is mainly due to the reduction in fixed rate exposure.

Social and Environmental Risks

14. Social and Environmental Risks

Social and environmental risks refer to the potential damage that an economic activity can cause to society and the environment. Those risks associated with financial institutions are mainly indirect ones, arising from business relationships, including those in the supply chain and with customers, in the form of financing and investment activities.

14.1. Social and Environmental Risks Management Process

The social and environmental risks management process relies on a governance structure composed of committees, policies, rules and procedures, which proactively ensure proper identification, measurement, mitigation, monitoring and reporting of this risk. This process complies with BCB Resolutions and observes the principles of relevance and proportionality, which are necessary in view of the complexity of the Organization's financial products and the nature of its activities.

The Organization seeks to constantly incorporate and improve the criteria for managing the social and environmental risks arising from business relationships with customers, through credit and financing operations, with the application of a questionnaire that addresses environmental, social and governance aspects, in addition to analyzes of guarantees, suppliers and investments, which make up the scope of analysis reflected in the Organization's Social, Environmental and Climate Risks Standard.

The Organization assumed several commitments related to environmental and social aspects, such as the Carbon Disclosure Project (CDP), the Principles for Responsible Investment (PRI), the Business Charter for Human Rights and the Promotion of Decent Work (Ethos), the United Actions for the Environment (UNEP-FI), the Global Compact, among others.

Equator Principles

The Organization also is signatory to Equator Principles since 2004, which assesses, among other requirements, the working conditions, human rights, impacts on traditional communities and the environment of the projects financed by the Organization, observing the Brazilian legislation and the guidelines of the International Finance Corporation (IFC) and World Bank Group Health, Safety, and Environment Guidelines.

Implementation Process of Equator Principles

For implementation, the Financial Advisory and Project Finance service is provided by Banco Bradesco de Investimentos – BBI, with the support of the Social and Environmental Risks Control area, part of Integrated Risk Control Department (DCIR), which aims to present the content, application and benefits of compliance with Equator Principles by the proposed project.

Transactions involving Project Finance, Project Related Corporate Loans and Bridge Loans are structured mainly for the Corporate customers, which is responsible for obtaining and registering business by means of credit proposals. The economic and financial aspects of these proposals are analyzed by the Credit Department and social and environmental risks is assessed by the Social and Environmental Risks Control Area.

The Social and Environmental Risks Control area assesses proposals, analyzes documents, and categorizes projects under Equator Principles classifications of High Risk (Category A), Moderate Risk (Category B) or Low Risk (Category C). It then issues an opinion on social and environmental risks, according to the guidelines contained in the principles:

Social and Environmental Risks

- **High Risk (Category A)** – Projects with potential for significant risks and/or social or environmental impacts, which are multiple, irreversible or unprecedented.
- **Moderate Risk (Category B)** – Projects with potential for limited risks and/or social or environmental impacts, in small numbers, limited in area, easily reversible and speedily controlled by mitigation measures.
- **Low Risk (Category C)** – Projects with no or very little risk or negative social or environmental impacts, or with minimal, reversible risks that can be mitigated.

Loan agreements for transactions approved according to the established internal flow contain social and environmental obligations, which are monitored periodically.

14.2. Control and Monitoring

Credit Operations

The Organization oversees the process of analysis, approval, documentation and subsequent monitoring of transactions covered by Equator Principles. To this end, the following items are analyzed:

- Project Finance Advisory Services for transactions exceeding US$ 10 million;
- Project Finance for transactions exceeding US$ 10 million;
- Corporate Project Lending where:
  - a) the greater part of the loan is directed towards a single project over which the customer has effective operating control;
  - b) the total value of the transaction exceeds US$ 50 million;
  - c) the Organization's individual commitment (as a union member) is exceeds US$ 50 million; and
  - d) the loan has a duration over two years.
- Bridge loans for less than two years to be refinanced by Project Finance or Corporate Project Lending;
- Refinancing Related to Projects and Acquisition Financing Related to Projects where:
  - a) The referred Project was financed in accordance with the Equator Principles framework;
  - b) There was no significant change in the scale or scope of the Project;
  - c) The physical completion of the project had not yet occurred at the time of signing the credit or loan agreement.

In addition to complying with Equator Principles, the Organization also obeys a set of criteria applying to social and environmental issues in credit analysis for projects where there are potential social or environmental risks.

This analysis includes checking for the existence of contaminated areas, embargoed areas, licenses, certificates and environmental studies. These information help to identify potential social and environmental risks, to be discussed with the customers.

Social and Environmental Risks

Decisions taken by the Executive Credit Committee take into consideration social and environmental risks as well as other economic and financial aspects. Once a loan has been approved, negotiations take place with the customer and the loan agreement will include social and environmental obligations. Thereafter, projects that represent potential social and environmental risks are regularly monitored to ensure that these contractual obligations are fulfilled.

The subjects related to social and environmental risks are discussed in the risk management forums. In a complementary manner, the Sustainability and Diversity Committee establishes the Corporate Sustainability Policy, and helps senior management to define strategies where involving organizational sustainability and reports to the Board of Directors.

Supply Chain

The Organization conducts a Social and Environmental Assessment for suppliers, to ensure that social and environmental risks in the supply chain are minimized. Under this program, suppliers are constantly and permanently assessed for compliance with environmental, labor and occupational health and safety legislation, and with the international standards and internal guidelines adopted by the Organization.

14.2.1. Transactions required from Equator Principles (October to December 2023)

In the fourth quarter of 2023, the Advisory and Financing Services for Project Finance were not contracted, as well as Corporate Loan to Projects under the criteria of Equator Principles.

14.3. Internal Reporting

The topics relating to the analysis and monitoring of social and environmental risks are reported to the areas involved in the credit transaction and supplier processes, being regularly reported to the Executive Board and to the Board of Directors.

Climate Risk

15. Climate Risk

Climate risk represents the possibility of financial losses for the Organization due to the potential impacts of climate change. These results can derive from physical impacts caused by events such as floods, storms, frosts, landslides, water stress, temperature increase, among others. The set of changes that have such consequences are termed physical risks.

In response to increasing climate related events, regulatory and social responses are rising and tend to amplify and increase efforts aiming to prevent climate change from worsening. This set of initiatives constitute the transition to a low carbon economy, a productive structure for which the volume of greenhouse gas emissions must be drastically reduced in comparison to current levels. To accelerate this transition and mitigate the physical effects, it is expected that there will be changes in market dynamics, regulation and technologies, in addition to an increasing level of organizations accountability for their role and performance in the agenda. The risks associated with this process are known as transition risks.

Climate risk, when associated with financial institutions, is mostly indirect and results from business relations with customers and suppliers.

15.1. Climate Risk Management Process

The management of climate risk has a governance structure composed of committees, policies, rules and procedures, which enable the identification, classification, and monitoring of such risks in accordance with BCB Resolutions. The procedures are also in line with relevance and proportionality principles that are necessary given the complexity of the Organization's financial products and activity profile.

The process is reflected within the Social, Environmental and Climatic Standard, which includes the analysis scope defined by the Organization and consists of identifying, classifying and monitoring climate risk levels. This assessment is being incorporated into the credit granting process for corporate loans. Additionally, the Bank's corporate loan portfolio exposure to the potential impacts of climate change by sector is monitored.

15.2. Initiatives and Commitments

The Organization is committed to a series of climate related initiatives with emphasis on the Net Zero Banking Alliance (NZBA), Principles for Responsible Investment (PRI), in addition to being a signatory to the Global Compact and participating in the United Nations Environment Programme Financial Initiative (UNEP-FI). Since 2019, Bradesco participated in sectoral initiatives focused on the development of methodologies and tools for managing climate risks for the banking industry, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

15.3. Internal Reporting

The topics related to analysis and monitoring of climate risk are reported to the areas involved in credit granting and supplier processes, being regularly reported to the Executive Board and the Board of Directors.

Model Risk

16. Model Risk

Models are quantitative tools that provide the complex issues synthesis, standardization and automation of decision making and the possibility of reusing internal and external information. This brings improved efficiency both by reducing costs associated with analysis, manual decision and by increasing precision. Its use is an increasingly widespread practice, especially due to technological advances and new artificial intelligence techniques.

However, when it comes to reality simplifications, the models are subject to risks, represented by the possibility of making inappropriate business decisions, based on a model developed with failures/ deficiencies, or due to inappropriate use.

16.1. Model Risk Management Process

In the Organization, the responsibility for validating and reporting model risk to Senior Management belongs to the Independent Model Validation Area (AVIM), subordinate to the Chief Risk Officer (CRO).

AVIM's main functions are Models Risk Governance and Independent Model Validation, seeking to ensure the integrity of data and reports and the existence of controls and tests, which guarantee the implementation and proper use of models and adherence to regulatory standards.

It is also noteworthy that the model risk management process has an appropriate structure of roles and responsibilities, involving all the stakeholders who, in an integrated manner, act to identify, inventory, evaluate, classify and monitor the models.

16.2. Model Risk Methodology

The model risk methodology comprises the classification into Tiers, which represent its relevance for the Organization and determine the prioritization, latency and level of depth of the analyzes used in its assessment.

The assessment approach of the model risk includes qualitative and quantitative aspects, the analysis of which results in a score that leads to five rating levels: Minimal Risk, Low Risk, Moderate Risk, High Risk, and Very High Risk.

16.3. Control and Monitoring

AVIM prepares the model validation and verification schedule based on prioritization criteria (Tier), and submits it for evaluation by the Integrated Risk Management and Capital Allocation Committee.

Additionally, the report of model risk monitoring is carried out by the Risk Monitoring Executive Committee and Risk Management Executive Committee, the last one responsible for discussing and formalizing the methodologies for controlling and evaluating model risk.

Operational Risk

17. Operational Risk

Operational risk is represented by the possibility of losses resulting from external events or failure, deficiency or inadequacy of internal processes, people or systems. This definition includes the legal risk associated with inadequacy or deficiency in contracts signed by the Organization, sanctions due to non-compliance with legal provisions and compensation for damages to third parties arising from the activities carried out by the Organization.

17.1. Operational Risk Management Process

The Organization adopt the Three Lines model, which consist on identify and assign specific responsibilities to the Departments in a way that the essential tasks of operational risk management are carried out in an integrated and coordinated manner. Therefore, the following activities are carried out:

- Identify, evaluate and monitor operational risks inherent to the Organization activities;
- Assess the inherent operational risks to new products, services and partners in order to adapt to legislation and procedures and controls;
- Map and capture the operational losses records to compose the operational risk database and manage them in line with the Organization's appetite;
- Supply analyzes that provide quality information to the Departments, aiming the operational risk management improvement;
- Evaluate scenarios and indicators for the purpose of economic capital composition and Organization's risk map improvement;
- Operational risk regulatory and economic capital assessment and calculation; and
- Ensure the governance procedures existence for reporting operational risk and its main aspects in order to support the Organization's strategic decisions.

These procedures are supported by an internal controls system, independently certified as to their efficacy and execution, in order to achieve risk appetite limits established by the Organization.

17.2. Operational Risk Methodology Measure

Pursuant to Central Bank of Brazil Circular 3,640/13, the Organization adopted the Alternative Standardised Approach to calculate the risk-weighted assets corresponding to the Operational Risk (RWA_{OPAD}).

Moreover, the Organization uses the operational losses internal data, which are used to measure the operational risk economic capital based on internal models. In this context, the Organization classifies the operational risk events as follows:

Operational Risk

Operational Risk Events

■ Internal Fraud	■ Damage to physical assets owned or in use by the institution
■ External Fraud	■ Failures in information technology (IT) systems, processes or infrastructure
■ Labor demands and poor workplace safety	■ Failures in the execution, in meeting deadlines or in the management of the institution's activities
■ Inappropriate practices regarding customers, products and services	■ Situations that lead to the institution's activities interruption or the discontinuance of the services provided

Another component that is part of economic capital calculation, and its information is used to analyze scenarios and compare operational losses events against major global banks, are the external data and, therefore, the Organization uses an operational losses database of worldwide consortium called Operational Risk Data Exchange (ORX).

17.3. Control and Monitoring

The operational risk is mainly controlled and monitored by the Integrated Risk Control Department (DCIR), an independent area supported by several areas composing the risk management process.

17.4. Internal Reporting

Issues related to operational losses, as well as controls and initiatives adopted for their mitigation, are presented and discussed periodically with the areas involved in the operational risk management process, including the Senior Management.

Business Continuity Management

18. Business Continuity Management (BCM)

The Organization establish the Business Continuity program according to ABNT NBR ISO 22301, which defines as "the ability of the Organization to keep on delivering goods or services according to previously defined and acceptable levels after disruption incidents".

The procedures adopted after a disruption, which must ensure an acceptable operational level for critical business processes – whether internal or outsourced –, are included into a Business Continuity Plan (BCP) whose purpose is to recovery the activities reducing potential impacts for our customers.

The organizational and the governance structures established regarding Business Continuity include policies and standards that define the roles and responsibilities aimed at ensuring that the plans and strategies employed are up to date. The PCN effectiveness is guaranteed by through the application of tests and exercises in business units on a regular basis. The Organization's Continuity Management Program also takes into account the critical processes carried out by service providers.

Our policies and standards are in line with the Central Bank of Brazil regulations and the recommendations of the Basel Committee on Banking Supervision. Business Continuity Management process is under the responsibility of the Business Continuity Management area, part of Integrated Risk Control Department (DCIR).

18.1. Business Continuity Management Process

The business continuity management process is carried out in a corporate and integrated manner, in order to accomplish the annual cycle in the Organization. According to this process, the units must:

- Review business processes based on the Business Impact Assessment (BIA) on a timely basis;
- Assess Business Continuity strategies;
- Keep all plans duly reviewed and updated in a corporate tool;
- Promote awareness on Business Continuity to the persons involved in the activities;
- Test all plans and strategies according to the annual planning;
- Analyze the outcomes and make adjustments and improvements, when necessary;
- Identify, assess and handle all continuity procedures that involve providers and systems that are deemed material for the unit's activities.

The business continuity actions are developed internally, based on the best practices issued by the key international entities in the sector: DRII – Disaster Recovery Institute International (USA) and BCI – Business Continuity Institute (UK). It also takes into account national rulings and frameworks, such as ABNT NBR ISO 22301 and ABNT NBR ISO 22313 standards.

18.2. Control and Monitoring

All stages of the continuity management process are controlled by the Business Continuity Management (GCN) area through monitoring tests and exercises of PCN in the business areas, as well as Disaster Recovery (DRPs) exercises with the Technology Departments of the Organization with its results being assessed and provided to the respective departments and to forums of the Organization and making available to the Regulatory Agencies, and Internal and External Audits. Additionally, the GCN area is also responsible for ensuring the physical infrastructure assets maintenance of the Corporate Business Continuity site.

18.3. Internal Reporting

All communication actions are accessible to employees of Departments and Related Companies through: Policies and Standards on Business Continuity and Material Providers, available at the Normative system; On-line training programs offered in the corporate intranet system; Meetings held with BCM Representatives; and awareness trainings.

Corporate Crisis Management

19. Corporate Crisis Management

The Organization defines incident and crisis as follows:

Incident: momentary event, of small complexity and with possible repercussions for stakeholders. The incident, depending on the severity, is classified as relevant or critical.

Crisis: characterized as the occurrence of an adverse event (or combination of events) extremely rare, unstable and complex that may result in a relationship deterioration with stakeholders and also, represent a potential threat to strategic objectives, reputation or even the Organization existence.

19.1. Corporate Incident and Crisis Management Process

The corporate incident and crisis management process contributes so that any signs of incident and crisis are timely identified, evaluated, classified according to their severity, in order to actions are promptly taken to reestablish the normal activities course and strengthen the Organization's operational resilience.

The corporate incident and crisis management process comprises the following stages:

- **Prevention:** Identify vulnerabilities and develop scenarios that could result in incident and/or crisis;
- **Preparation:** Develop incident and/or crisis response plans and conduct training;
- **Response:** Trigger incident and crisis management and execute response plans;
- **Recovery:** Identify opportunities to improve incident and crisis management process and plans.

In order to harmonize the severity of an incident and/or crisis perception, the Organization established impacts levels that support the resources optimization and dimensioning of the necessary efforts in light of the event that is presented, being relevant incident, critical incident and crisis.

19.2. Corporate Incident and Crisis Management Structure

The corporate incident and crisis management structure comprises a robust control process, composed by forums that support the Incident and Crisis Management Executive Committee in decision-making, informing and proposing necessary actions and reporting the effectiveness of the actions taken.

19.3. Internal Reporting

The internal communication of corporate incident and crisis management is carried out in a timely manner, through the issuance of newsletters and reports to the Incident and Crisis Management Executive Committee and other involved areas.

As necessary, the Organization carries out timely communication with stakeholders informing about the occurrence, ongoing actions and guidance to customers.

Strategy Risk

20. Strategy Risk

The strategy risk is represented by the deterioration possibility in results, capital and/or strategic indicators (in relation to plan) due to business decisions not according with the strategy, inadequate decisions in the process of implementation, as well as lack and/or insufficient reaction to changes in the business environment.

20.1. Strategy Risk Management Process

The strategy risk management process is carried out in a corporate and integrated manner, comprising the identification, classification, control and reporting of risks that may compromise the achievement of the Organization's strategic objectives.

The Organization bases its works on four pillars – client, our inspiration; people, our team; digital transformation, how we do it; and sustainability, made to last – that support the corporate purpose of create opportunities for the progress of people and the sustainable development of companies and society.

The management of strategy risk is carried out periodically by monitoring the strategic pillars risk, considering the assessment of strategic objectives and initiatives, critical success factors, competitive advantage and disadvantage, opportunities and threats, among other aspects.

Strategy risk management is supported by Policy and Standard, which describe the assessment scope, methodology and governance of strategy risk, in line with the Organization's guidelines.

20.2. Control and Monitoring

The control and the monitoring are carried out by DCIR and are supported by the Organization's governance structure, made up of Executive Committees where the methodologies for managing and accessing strategy risk are formalized.

20.3. Internal Reporting

The matters related to the analysis and monitoring of strategy risk are periodically reported to the appropriate Executive Committees and to the areas involved in the process of managing this risk.

Step-in Risk

21. Step-in Risk

Step-in risk is represented by the possibility of financial loss resulting from the Organization's (contractual or non-contractual) relationships with controlled, affiliated companies, parallel structures, parent companies, investment funds, foundations, suppliers and unconsolidated partners in the Prudential Conglomerate.

21.1. Step-in Risk Management Process

The Organization, in view of the complexity and variety of its activities, interacts with several entities not present in the consolidation of the financial statements and, therefore, is also exposed to various types of risks, whether they arise from internal or external factors.

The step-in risk management process is carried out in a corporate and integrated manner, comprising the evaluation of unconsolidated relationships in the Prudential Conglomerate, in which, regardless of whether or not there is participation in the capital, they may generate a need for a future financial contribution, even if there is no legal or contractual obligation to do so, other than the possibility of impacting the Organization's reputation. With this in mind, this process contributes so that any signs of contagion are identified in a timely manner, evaluated and classified according to their severity, so that actions are promptly adopted in order to subsidize Senior Management in decision-making.

Therefore, the Organization recognized this theme in the Step-in Risk Policy and Guideline, which deals with the scope of assessment, methodology and governance of step-in risk. The methodology comprises a set of financial indicators, the control environment, management and materiality of the entity that aim to capture the probability and impact of a potential step-in risk of the assessed entity, resulting in classification in one of the following levels: Minimum, Low, Moderate, High and Very High.

21.2. Control and Monitoring

The Organization's step-in risk is controlled and monitored by the Integrated Risk Control Department - DCIR. The Department is responsible for the Risk Control Commission, where aspects related to methodology, governance and monitoring of step-in risk are discussed. This Commission also advises the Risk Monitoring Executive Committee, where the step-in risk monitoring is reported and also advises the Risk Management Executive Committee, where the methodologies for controlling and assessing the step-in risk are formalized.

21.3. Internal Reporting

Matters related to step-in risk events are reported periodically in the Organization's risk control forums, in a timely manner, including timely communication with stakeholders.

Cybersecurity Risk

22. Cybersecurity Risk

Represented by the possibility of cyber incidents, including attacks, intrusions and leakage, that could compromise the confidentiality, integrity and/or availability of the Organization's critical business processes, assets and/or infrastructure.

22.1. Cybersecurity Risk Management Process

The cybersecurity risk management framework aims to ensure governance compatible with the Organization's size, risk profile and business model, so that critical IT assets and infrastructure are able to resist cyber attacks. This structure is adopted in a corporate manner and involves Organization's several areas, which have specific attributions, ensuring an efficient structure in the control and mitigation of these risks, allowing them to be identified, measured, manage and communicated, contributing to the achievement of strategic objectives.

To ensure the proper management of cybersecurity risk, which allows for an adequate assessment of risks and support managers and Senior Management in decision-making, the Organization is based on the pillars of Information Security and Cybernetics:

- **Confidentiality:** With proper classification, encryption, access controls and network segmentation so that the right to read, copy and use information is granted only when necessary and to authorized persons, protecting the Organization against misuse or data leakage;

- **Integrity:** With proper authentication, traceability and data protection controls to ensure accuracy, consistency and reliability of information, protecting the Organization's assets against malicious software or cyber attacks that cause data to be corrupted, altered or destroyed;

- **Availability:** With proper backup, contingency and redundancy procedures, so that critical business processes can be performed properly, protecting the Organization's assets against the cyber attacks that deplete the capacity of the technology infrastructure and cause instability, deactivation or unavailability services.

The above principles are followed in adopting the best market practices in processes, methodology and controls for the identification and management of cybersecurity risk, as well as the prevention and treatment of information security and cyber incidents. For this, the following activities are carried out:

- **Threat Identification:** Detect and identify threats and vulnerabilities, as well as identify and assess risks and define potential scenarios that could affect the Organization's cyber environment. This stage also comprises the continuous governance indicators monitoring that contribute to improve the trends identification and anticipate possible incidents;

- **Protection Against Attacks:** Take preventive actions to mitigate or transfer cybersecurity risk and safeguard critical assets, such as information and cybersecurity awareness and training, as well as implement security updates, protection against viruses, files and malicious software, managed and periodically updated;

- **Attack Detection:** Timely monitor and identify the risk materialized in attacks or information leakage, with monitoring tools and investigation processes that inform those responsible for response actions;

- **Attack Response and Recovery:** Record, analyze the origin and relevant incidents effects, duly detailed actions in specific Incident Management regulations, defining the criticality assessment,

designation of persons responsible and expected action to contain the incident, restore the assets and mitigating the impacts in addition to guiding the actions to be taken in the post-incident to support decision-making that prevents the new similar attacks occurrence.

22.2. Cybersecurity Risk Methodology Measure

The Organization uses internal and external information sources about new threats types, vulnerabilities and cyber attacks, in addition to market standards such as ISO/IEC 27005:2018 - Information Security Risk Management, NIST Cybersecurity Framework - NIST CSF (Guide to Improving Cybersecurity for Critical Infrastructure) and the Information Security Forum (ISF) for the development of an internal cybersecurity risk assessment model.

The three lines model adopted by the Organization to carry out the stages of cybersecurity risk management, consists of identify, classifying the risk and ensure that the responsible areas plan and execute the assigned risk mitigation plans so that the essential tasks of management are carried out in an integrated and coordinated manner.

Incident Severity Graduation

Information and cybersecurity incidents are graded according to the severity factors defined in an "Information and Cybersecurity Incident Severity Matrix", which considers the potential impacts: to customers, employees and other interested parties; financial; regulatory; reputational; availability of systems or services; and, the holders privacy of data.

Tactical Actions Group for Information and Cybersecurity Incidents (GATI)

The GATI, a multidisciplinary group, aims to conduct the technical analysis and direct timely measures during the security incidents handling of greater severity and potential impacts to the Organization and, also, to support and monitor, in a collegiate manner, the actions and decision-making related to the incident.

Hiring Relevant Service Providers

For data processing and storage and cloud computing service providers classified as a relevant service, there is an information security assessment, as established by CMN Resolution 4,893/2021.

Cybersecurity Risk

22.3. Control and Monitoring

The Organization's Cybersecurity Risk is controlled and monitored by the Risk Control Commission, where aspects related to methodology, governance and monitoring of cybersecurity risk are discussed. This Commission advises the Risk Management Executive Committee, where methodologies for cybersecurity risk control and assessment are formalized, and these topics are occasionally submitted to the Integrated Risk Management and Capital Allocation Committee – COGIRAC. Additionally, cybersecurity risk monitoring is reported to the Risk Monitoring Executive Committee.

In this context, we highlight the monitoring by the Executive Committee of AML/CFT - Sanctions and Information Security - Cyber, supported by the Corporate Security Commission.

In compliance with CMN Resolution 4,893/21, the Organization uses various means such as corporate policies and standards revised annually, training and awareness activities in information and cyber security, communication of threats and incidents to stakeholders, Information Security and Cybernetics indicator management process, issuing an annual cybersecurity report, in addition to independent effectiveness tests and periodic carried out in key controls to monitor cybersecurity risk.

Assurance System and Organization Controls Report - SOC 2 - Type II

The Organization conquered the SOC 2 Type II Assurance, issued by an independent specialized audit, in April 2023. This Assurance confirmed the consistency and effectiveness of the controls implemented for the security of the IT environment, regarding the financial services provided, with evaluation based on security criteria and controls of international standard information (AICPA – Association of International Certified Professional Accountants) covering the service categories: security, availability, processing integrity, confidentiality and privacy.

22.4. Internal Reporting

Matters related to cybersecurity risk events are reported on a timely and periodic manner in the Organization's risk control forums, including timely communication with stakeholders.

Compliance Risk

23.Compliance Risk

It is the risk arising from legal or administrative sanctions, financial losses, reputational damage and others due to non-compliance or failure to observe the legal framework, the infralegal regulation, the recommendations of regulatory bodies and of self-regulatory organizations and ethical conduct codes applicable to the developed activities by the Organization.

23.1. Management Process

The Organization adopts the three lines model, which consists of identifying and assigning specific responsibilities to areas so that essential compliance risk management activities are carried out in an integrated and coordinated manner. In this way, the following activities are carried out:

- Advising the Organization on compliance matters;
- Promoting acculturation actions for administrators, employees and collaborators and promote training and awareness programs on compliance issues;
- Establishment rules and procedures aimed at the Organization's adherence to the Code of Ethical Conduct and to external rules on conduct with the customer, market and anti-corruption;
- Evaluating and certification the legal and regulatory aspects concerning the Organization's products and services;
- Coordination the service to the demands of regulatory bodies, counterparties and correspondent banks;
- Identification, assessment and monitoring compliance risks inherent to the Organization's activities;
- Management the Expected Conduct Program;
- Monitoring and new regulations disclosing and legislation applicable to the Organization's activities and certification of actions adopted by managers to comply with new regulatory rules; and
- Monitoring the implementation of policies and procedures.

These procedures are aligned with the compliance activities management cycle, distributed in actions focused on strategy, prevention, detection, response and remediation and reporting.

23.2. Control and Monitoring

Compliance risk is primarily controlled and monitored by an independent area, the Compliance, Conduct and Ethics Department – DCCE, and is supported by several areas that are part of the risk management process.

23.3. Internal Reporting

Matters related to compliance are presented and discussed periodically with the areas involved in the compliance risk management process, including the Senior Management.

Administrators Compensation

24. Administrators Compensation

24.1. Remuneration Committee

The Committee shall be composed of three (3) to seven (7) members, chosen from among the members of the Banco Bradesco S.A.'s Board of Directors, except for one (1) member that will be, necessarily, a non-manager, all with two (2) year term of office, and one of them shall be designated as Coordinator.

This Committee has as purpose to assist the Board of Directors in the conduct of the administrator's compensation policy, pursuant to the current legislation.

The Remuneration Committee is composed of the following members (base date December/2023):

Members	Function
Alexandre da Silva Glüher	Coordinator
Mauricio Machado de Minas	Member
Samuel Monteiro dos Santos Junior	Member
Fabio Augusto Iwasaki	Non-Managing Member

24.2. Remuneration Structure

24.2.1. Compensation Policy

Its objective policy:

- To guarantee the establishment of the remuneration practice to all the Organization´s Administrators, including the Members of the Board of Directors and of the Board of Executive Directors in all the different hierarchical levels.
- To assure that the remuneration practice is in accordance with the legislation, principles and regulations that control the matters, based on (i) Administrators responsibilities, considering their different positions and functions; (ii) the time dedicated to their functions; (iii) the professional competency and reputation, considering their experience and qualification; and (iv) the value of their services in the market.
- To provide the alignment between the Administrator´s remuneration practices and the Organization´s interests, so that the decisions made are the best possible, aiming to create value for its shareholders and investors.
- To guarantee that the remuneration practice is related to objectives that seek the Organization's appreciation, encouraging integrity and ethical behavior and not motivating behaviors that increase the exposure to risks considered above a prudent level, in the short, mid and long term adopted strategies.

The Compensation Policy is revised once a year; the last revision being carried out in April 2023.

Administrators Compensation

24.2.2. Assessment Process

24.2.2.1. Corporate Assessment Process

The uniformity in the treatment of work areas is one of the keys for the Organization's effectiveness, as a manner to inhibit individualism, maintaining a good work environment favourable for teamwork.

The Organization maintains a collegiate management culture, in which all relevant decisions, business or administrative ones, are made by committees composed, primarily, by Administrators.

Thus, even with the establishment of targets and goals for all areas, individually, for the compensation purpose, the overall performance of the Organization prevails, making no segregation of area, whether it is considered a support or business area, technical or relationship area.

This overall performance, denominated in the Corporate Rule as Corporate Assessment Process takes into consideration the outcome of performance indicators, as follows:

- ROAE – Return On Average Equity;
- Overall Customer Satisfaction Index;
- Tier I Ratio;
- Operating Efficiency Ratio (ER);
- Social and Environmental Dimension of Market Indexes; and
- Coverage Ratio.

24.2.2.2. Individual Assessment Process

The individual performance of the Administrators, as well as their corresponding areas, is accompanied by their respective superiors, according to the formal evaluation process, in compliance with the requirements of CMN Resolution 3,921/10.

For the formal assessment process, specific indicators are defined for areas and for individual assessment, according to the Administrator's functions, taking into account the business areas, control areas and other support areas.

For **areas assessment**, at least the following groups of indicators are considered:

- **Main activity actions:** are indicators that suggest the target and goals of the main activities of the area;
- **Actions focused on operational efficiency:** are indicators that measure the operational efficiency, in order to maximize their results with minimum use of resources;
- **Actions directed to risk management:** are corporate indicators that measure exposure to risks and internal controls, properly monitored by the responsible Area (Integrated Risk Control Department - DCIR);
- **Actions directed to customer service:** are indicators that assess the results/levels of satisfaction of internal and/or external customers; and
- **Actions directed to environmental aspects:** are indicators that assess the degree of compliance with the Strategy of Corporate Sustainability, in conducting the area objectives, considering ESG

aspects (Environmental, including Climate Change, Social and Governance) and the performance in the main Sustainability Indexes and Ratings.

For **individual assessment**, at least the following indicators are considered:

- **Quality of products/services:** aims to evaluate the quality standards of products/services offered/rendered according to the area of the Administrator assessed;
- **Commitment to strategy:** aims to evaluate if its performance reflected positively with material contributions to the Strategic Planning in the period;
- **Participation in collegiate decisions:** aims to evaluate the active participation in summoned meetings and committees, with opinions that contributed to the submitted decisions;
- **Team Leadership:** evaluates the team management process;
- **Planning:** assesses the ability to plan the activities of their area in the medium and long-term;
- **Overview:** evaluates, mainly, the Administrators' vision about future trends to meet the market demands; and
- Applies to the Board of Directors and its respective members, if suitable, the indicator listed above.

The Administrators performance assessment of the internal control and risk management areas must be based on the achievement of the objectives of their own functions and not specifically on the overall performance of the Organization. Internal control and risk areas within the Organization are considered, the Integrated Risk Control Department – DCIR and the Audit and General Inspectorate Department – IGL, as well as the related areas of the other companies of the Bradesco Organization.

24.2.3. Remuneration X Organization Objectives

One of the guidelines of the Administrators Compensation Policy is ensuring that the practice of remuneration is related to goals that value Bradesco Organization and the individual, encouraging integrity and ethical behaviors, and not encouraging behaviors that increase the exposure to risks above the levels considered prudent in the strategies of short, medium and long-term adopted by the Bradesco Organization.

As a result, by means of the payment of fixed remuneration, Bradesco seeks, in the short-term, to align the interests of administrators to its.

In order to encourage the alignment of medium-term interests, Bradesco can realize the payment of variable remuneration to its managers, as detailed in chapter 24.2.4, that will be deliberated after verifying the satisfaction of the specific indicators.

24.2.4. Remuneration of the Board of Directors and Executive Board

The remuneration structure of Bradesco's Administrators, composed of fixed remuneration (monthly remuneration) and variable remuneration (multiple fixed compensations), in consonance with the guidelines established in its Administrators Compensation Policy, which takes into consideration the requirements of CMN Resolution 3,921/10 and, in addition, the post-employment benefit in the Supplementary Pension Plan, aim to align the interests of administrators with Bradesco's projects and results.

The remuneration composition of the Board of Directors and Executive Board is detailed below:

Administrators Compensation

- **Fixed Remuneration or Monthly Remuneration:** monthly fixed remunerations established for the period of the Administrator's term;
- **Variable Remuneration:** amount attributed to the Administrators, as performance remuneration, in addition to the Fixed Remuneration, based on the target criteria and performance indicators. It is important to highlight that the total Variable Remuneration will be paid on a date to be defined by the Board of Directors, and 50% (fifty per cent) of the net value of the Variable Remuneration will be allocated for the purchase of PNB shares issued by BBD Participações S.A. and/or preferred shares issued by Bradesco (Bradesco preferred shares), which are filed and unavailable ("Restricted Shares"). The Restricted Shares become available in three (3) equal, annual and successive installments. The first installment will expire one year after the date of the acquisition of shares;
- **Overall Amount:** includes the total remuneration (fixed and variable remuneration);
- Additionally, the administrators are entitled to a Pension Plan that aims to ensure their performance in line with the continuity of business and the creation of long-term value for the Organization. This system binds the administrators to a cautious management and in line with the long-term risks, leading to an increase in the amounts distributed to the Organization's shareholders.

For the definition of the global amount of remuneration, the Organization observes the following criteria:

- **Bradesco Organization's Remuneration Committee:** proposes to the Board of Directors the Global Amount of remuneration (Monthly Remuneration and Variable Remuneration). The payment of the Variable Remuneration will observe the target criteria and performance indicators to be established and will be limited to the Global Amount, to be distributed to the Administrators.

To define the Overall Remuneration Amount (Monthly Remuneration and Variable Remuneration), the Remuneration Committee shall observe the following aspects:

- Size and result of the company compared to its competitors;
- Domestic and international economic conditions, considering the past, present and future scenarios;
- Internal and external factors that may affect the Bradesco Organization's businesses (current and potential risks); and
- Bradesco Organization's Overall performance, involving the recurrent income realized and the capacity to produce cash flows.

The Remuneration Committee will use other indicators when deemed necessary and appropriate. In addition, it will use studies, evaluations, surveys and other materials prepared by the technical areas, such as Departments: Studies and Economic Research, Controllership, General Accounting and Integrated Risk Control; besides other areas it deems appropriate.

- **Board of Directors:** the Organization's top management body, which is responsible for evaluating the Remuneration Committee's proposals and deliberating on them;
- **General Shareholders' Meeting:** it is incumbent upon the General Shareholders' Meeting to approve the Overall Amount of the Company's remuneration.

Once all the steps of determining and approving the Overall Amount of remuneration have been fulfilled, it is the responsibility of Bradesco's Board of Directors to define the remuneration of each of its Managers, composed of Monthly Remuneration and, based on the fulfilment of the target criteria and indicators, Variable Remuneration.

Administrators Compensation

24.3. Remuneration attributed

REM1: Remuneration awarded during the financial year

The table below shows the remuneration attributed to the senior management and members of the board of directors during the reference year.

R$ million			a	b
			2023	
		Remuneration amount	Senior management	Board of Directors
1	Fixed remuneration	Number of employees (qty)	143	11
2		Total fixed remuneration (3 + 4 + 5)	368	32
3		Of which: cash-based	368	32
4		Of which: shares or other share-linked instruments	-	-
5		Of which: other forms	-	-
6	Variable remuneration	Number of employees (qty)	143	11
7		Total variable remuneration (8 + 10 + 12)	349	42
8		Of which: cash-based	175	21
9		Of which: deferred	-	-
10		Of which: shares or other share-linked instruments	175	21
11		Of which: deferred	175	21
12		Of which: other forms	-	-
13		Of which: deferred	-	-
14	Total remuneration (2 + 7)		717	74

REM2: Special payments

The Organization does not practice extraordinary payments to employees dismissed.

REM3: Deferred remuneration

The table below shows the total deferred remuneration during the reference year.

	a	b	c	d	e
Deferred Remuneration (R$ million)	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
\\ Senior management	114	114	-	-	60
Cash	-	-	-	-	-
Shares	114	114	-	-	60
Cash-linked instruments	-	-	-	-	-
Others	-	-	-	-	-
\\ Board of Directors	24	24	-	-	12
Cash	-	-	-	-	-
Shares	24	24	-	-	12
Cash-linked instruments	-	-	-	-	-
Others	-	-	-	-	-
\\ Total	138	138	-	-	72

Appendix

I. Appendix

The appendix described below are available on the Investor Relations website (bradescori.com.br – Market Information – Risk Management – Exhibits Pillar 3), as well as all the tables listed in this document.

Institutions Participating in the Prudential Conglomerate – IPCP

Show the scope of the publication, in addition to the Prudential Conglomerate's institutions, the following companies are also part of the consolidation.

Relevant Institutions – IREL

List of the main companies, with a direct and indirect interest, included in the accounting statements.

Equity Interests – PS

Information on the companies' equity interests.

Glossary

II. Glossary

A

ABNT – *Associação Brasileira de Normas Técnicas* (Brazilian Technical Standards Association)

ACP – *Adicional de Capital Principal* (Additional CET1 buffer requirements)

AICPA – Association of International Certified Professional Accountants

AML/CFT – Prevention and Combating of Money Laundering and to Terrorist Financing

ANS – National Regulatory Agency for Private Health Insurance and Plans

ASF – Available Stable Funding

AVIM – Independent Model Validation Area

B

BBI – *Banco Bradesco de Investimentos*

BCB – Central Bank of Brazil

BCI – Business Continuity Institute

BCM – Business Continuity Management

BCP – Business Continuity Plan

BIA – Business Impact Assessment

C

CCF – Credit Conversion Factors

CCR – Counterparty Credit Risk

CEO – Chief Executive Officer

CET1 – Common Equity Tier I

CMM – Mark-to-Market Commission

CMN – National Monetary Council's

COAUD - Board of Directors and the Audit Committee

COGIRAC – Integrated Risk Management and Capital Allocation Committee

COTES - Stress Testing Technical Commission

CRA - Agribusiness Receivables Certificate

CRI – *Certificado de Recebível Imobiliário* (Securitised Real Estate Loans)

CRM – Credit Risk Mitigation

CRO – Chief Risk Officer

CVA – Credit Value Adjustment

D

DCCE – Compliance, Conduct and Ethics Department

DCIR – Integrated Risk Control Department

DEPEC – Studies and Economic Research Department

Glossary

E

EVE – Economic Value of Equity

F

FIDC – *Fundo de Investimento em Direito Creditório* (Credit Rights Investment Funds)

H

HQLA – High Quality Liquid Assets

I

ICAAP – Internal Capital Adequacy Assessment Process

IFC – International Finance Corporation

IMA - Internal Model Approaches

ISO – International Organization for Standardization

L

LCR – Liquidity Coverage Ratio

LR – Leverage Ratio

N

NBR – *Norma Brasileira* (Brazilian Rule)

NII – Net Interest Income

NSFR – Net Stable Funding Ratio

NZBA – Net Zero Banking Alliance

O

ORX – Operational Risk Data Exchange

P

P&L – Profit and Loss

PRI – Principles for Responsible Investment

R

RAS – Risk Appetite Statement

RML – *Reserva Mínima de Liquidez* (Minimum Liquidity Reserve)

RSF – Required Stable Funding

RWA – Risk-Weighted Assets

RWA_{CIRB} – Risk-weighted assets portion relating to credit risk, internal approach

RWA_{CPAD} – Risk-weighted assets portion relating to credit risk, standard approach

RWA_{MPAD} – Risk-weighted assets portion relating to market risk, standard approach

RWA_{MINT} – Risk-weighted assets portion relating to market risk, internal approach

RWA_{OPAD} – Risk-weighted assets portion relating to operational risk, standard approach

S

SA – Standardized Approach

Glossary

SPE – Special Purpose Entities

SUSEP – Superintendence of Private Insurance

T

TCFD – Task Force on Climate-related Financial Disclosures

U

UK – United Kingdom

UNEP-FI – Principles for Responsible Investment

USA – United States of America

V

VaR – Value at Risk

bradesco