Santander

Risk and Capital Management
(Pillar 3)

4th QUARTER OF 2023

Summary

Introduction

Banco Santander (Brasil) S.A. (referred to as Banco Santander or "Institution"), in order to properly manage its capital and anticipate future needs of the various phases of the business cycle, makes regulatory and economic capital projections, based on financial forecasts (Balance Sheet, Income Statement, etc.) and on macroeconomic scenarios estimated by the Institution. Risk and capital management is aligned with the best market practices and the Santander Group's global guidelines; and it also considers the regulatory and economic requirements and levels.

This document complies with the requirements of BCB Resolution No. 54 of December 16, 2020, and subsequent amendments, which provides for the disclosure of quantitative and qualitative information related to risk management, the calculation of the amount of risk-weighted assets (RWA) and the calculation of the Reference Equity (RE). Its purpose is to promote market discipline, allowing different agents to evaluate the sufficiency of capital of the entities.

Below are the main indicators calculated on the base date of December 31, 2023, based on the Prudential Conglomerate of Banco Santander.

Common Equity Tier I Ratio	Tier I Ratio	Total Capital Ratio	Leverage Ratio
11,5%	12,4%	14,5%	7,2%
Previous quarter: 11,2%	*Previous quarter: 12,2%*	*Previous quarter: 14,3%*	*Previous quarter: 7,4%*
Common Equity Tier I	**Tier I**	**Total Capital**	**RWA**
R$ 75,0 bi	R$ 81,3 bi	R$ 94,9 bi	R$ 654,5 bi
Previous quarter: R$72,8bi	*Previous quarter: R$79,3bi*	*Previous quarter: R$93,0bi*	*Previous quarter: R$652,1bi*

This information is aligned with that of the Institution's Financial Statements, audited by PricewaterhouseCoopers Independent Auditors and evaluated by the Audit Committee.

Prudential Indicators and Risk Management

The following sections provide information on Banco Santander's prudential indicators and risk and capital management and its main characteristics.

KM1: Key metrics at consolidated level

R$ million	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
Available capital (amounts)					
Common Equity Tier 1 (CET1)	75.043	72.776	72.686	71.676	69.229
Tier 1	81.259	79.341	78.891	78.319	75.944
Total capital	94.903	93.021	91.970	91.573	89.053
Excess of capital committed to adjusted permanent assets	-	-	-	-	-
Total capital detached	-	-	-	-	-
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	654.454	652.080	683.170	663.141	638.878
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	11,5%	11,2%	10,6%	10,8%	10,8%
Tier 1 ratio (%)	12,4%	12,2%	11,5%	11,8%	11,9%
Total capital ratio (%)	14,5%	14,3%	13,5%	13,8%	13,9%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (%)	2,5%	2,5%	2,5%	2,5%	2,5%
Countercyclical Capital buffer requirement (%)	0,0%	0,0%	0,0%	0,0%	0,0%
Systemic capital buffer requirement	1,0%	1,0%	1,0%	1,0%	1,0%
Total CET1 buffer requirements (%)	3,5%	3,5%	3,5%	3,5%	3,5%
CET1 available after meeting the bank's minimum capital requirements (%)	2,9%	2,7%	2,0%	2,3%	2,4%
Leverage ratio					
Total exposure	1.125.754	1.069.504	1.099.482	1.115.483	1.065.742
Leverage ratio (%)	7,2%	7,4%	7,2%	7,0%	7,1%
Liquidity Coverage Ratio (LCR)					
Total high-quality liquid assets (HQLA)	185.788	173.992	148.569	147.042	145.015
Total net cash outflow	129.026	118.085	109.979	108.937	105.489
LCR (%)	144,0%	147,3%	135,1%	135,0%	137,5%
Net Stable Funding Ratio (NSFR)					
Total available stable funding	582.790	579.014	556.572	550.491	529.690
Total required stable funding	527.421	530.949	515.260	499.754	488.889
NSFR (%)	110,5%	109,1%	108,0%	110,2%	108,3%

The Basel Ratio reached 14,5% in December/23, an increase of 0,2 pp. compared to the previous quarter and still, well above the minimum regulatory requirement, which is 8,0% without the additional CET1 buffer requirements and 11,5% with the additional CET1 buffer requirements.

OVA: Bank Risk Management Overview

Business Model and Risk Profile

The business model of Banco Santander is based on the conviction that the way to grow profitably, recurrently and sustainably is to provide an excellent service in order to increase the level of client satisfaction, expand the base and increase client loyalty.

The performance is based on a close and lasting relationship with clients, suppliers and shareholders. This performance translates into our purpose, which is to help people and businesses prosper.

That said, the Institution has the following strategic priorities:

- Increase client preference and engagement with segmented, simple, digital and innovative products and services through a multichannel platform;

- Generate results in a sustainable and profitable manner, with greater revenue diversification, considering the balance between credit, funding and services. At the same time, maintain preventive risk management and strict control of the expenses;
- Have capital and liquidity discipline to maintain soundness, face regulatory changes and take advantage of growth opportunities;
- Gain market share profitably through our robust portfolio, optimize the ecosystem and launch new businesses, while continuously improving our clients' experience.

The evaluation of the business model is carried out by the Strategic Risk area, which is responsible for identifying and assessing the potential risks of the business plans.

Strategic risk is the risk of losses or damages arising from strategic decisions, or their poor implementation, that affect the medium and long-term interests of the main stakeholders, or the inability to adapt to the evolution of the environment in which the Institution is inserted, and can be divided into three categories:

- **Business Model Risk:** covers the risk of the business model being outdated, becoming irrelevant and/or losing its ability to continue generating the desired results, caused by both external and internal factors;
- **Strategy Conception Risk:** is the risk associated with the strategy adopted in the long-term plan. Considering the risk that the plan is inadequate in its nature or in the contemplated assumptions, not leading to the expected results;
- **Strategy Execution Risk:** is the risk associated with the execution of the three-year financial plan. The risks to be considered include potential impacts from both internal and external factors, the lack of response capacity to changes in the business environment, and the risks associated with corporate development operations.

Together with the assessment of risks, exercises are carried out to evaluate potential risks to business plans (denominated "Top Risks"), which could threaten strategic and/or budgetary objectives. ***The top risks*** are potential risk events that pose a threat to financial and strategic plans, which impact is not included in the current plans and may have a significant impact on liquidity and capital results and that affect the financial health. Another risk identification and assessment exercise correspond to the Risk Profile Assessment (RPA) tool that ensures an adequate risk coverage and provide a comprehensive view of the risk profile in the business activity through the institution's risk profile assessment.

This assessment is carried out every six months based on performance risk metrics and risk identification and assessment exercises in business plans, management models and controls that generate reports with results, evolution and main facts per type of risk reported to senior management by the Risk Control Committee (RCC) and the Risk and Compliance Committee (RCC).

Another tool used in risk management is the Risk Appetite, which corresponds to the maximum level and type of risk that the Institution is willing to assume within its risk capacity, in order to achieve its strategic objectives and the development of its business plan.

The Risk Appetite must remain below the risk capacity defined as the maximum level and nature of risk that the Institution can assume without compromising its viability determined by the level of sufficient resources to carry out its activities The limit is determined by the level of resources (capital, liquidity, assets and liabilities, management systems and capabilities) sufficient to develop the Institution's activity in view of the demands of stakeholders or interest groups (regulators, government, shareholders, investors, clients, employees, suppliers, and social community).

The Risk Profile Assessment (RPA) and the Risk Appetite are among the Institution's main risk management tools, where the risks mapped by the RPA exercise are directly and indirectly considered in the Risk Appetite.

Both tools encompass the following related risks in the business model:

- **Credit Risk:** risk of financial loss arising from default or deterioration in the credit quality of a client or counterparty, to whom the Institution has granted credit directly or for whom it has assumed a contractual obligation. It is the main risk that impacts the Group and is present in all operations in which a payment obligation is generated by a third party to the Institution.
- **Concentration Risks:** occurs because of high exposure to a reduced number of counterparties, whose payment behavior is highly correlated. The operations can be grouped by the main characteristics of the clients:
    - Sector: group of clients engaged in the same productive activity;
    - Segment: group of clients defined by similar characteristics/classification defined by the Institution;
    - Geography: type of clients by location and origin;
    - Product: grouping of clients according to the type of financing or product contracted.

The Concentration Risk must also consider the risks linked to large indirect credit exposures, such as: an issuer of security interests or clients whose inflow depends significantly on the orders from the same company that are providers.

The factors considered may therefore vary to the extent that experience shows other types of significant relationships.

- **Counterparty Risk:** bilateral credit risk associated with financial instruments, whose exposure occurs due to the evolution of underlying market factors. That is, it has an uncertain nature.
- **Risk of Intangible Assets, Fixed Assets and Non-trading Equity:** risks that arise from potential losses due to the devaluation of tangible and intangible assets, and potential loss due to the deterioration of the equity interests that the Institution presents in the balance sheet.
- **Market Risk:** is the exposure to risk factors such as interest rates, foreign exchange rates, commodity prices, equities and other factors, depending on the type of product, the amount of operations, term, conditions of the contract and the underlying volatility with an impact on results or capital.
- **ALM/Structural Risk:** risk of changes in market value or margin of assets or liabilities in the banking book resulting from changes in market factors and balance sheet behavior. The assessment of mismatches between the maturities of assets and liabilities facilitates the basic representation of the balance sheet structure and allows for the detection of interest risk

concentrations in different maturities. In addition, it is a useful tool for estimating the possible impact of possible variations in interest rates on the institution's financial margin and equity value.

- **Pension Risk:** is related to the possibility of mismatch between actuarial assets and liabilities (administrative costs, actions and pension benefits exceed the aggregate amount of quotas received and the profitability of allocations). The elements that affect this risk range from mortality or morbidity to the quota payment ratio, passing through the profitability of existing assets.
- **Operational Risk:** is defined as the risk of losses resulting from the inadequacy or failure of internal processes, people, internal systems or external events.
- **Technological Risk:** any unexpected circumstance or event related to the use of technologies, which occurs during the provision and management of products and services that may cause unavailability or system failures, processing errors or any other undesirable situation that causes losses or impacts our brand, customers and operations.
- **Model Risk:** is the risk related to losses arising from decisions mainly based on model results, due to errors in the conception, application or use of these models. The materialization of model risk may lead to financial losses, inappropriate commercial and strategic decision-making or damage to the Institution's reputation.
- **Liquidity Risk:** risk associated with the Institution's ability to fund commitments acquired at reasonable market prices and carry out its business plans with stable sources of funding.
- **Business Model/Strategy Risk:** risk of loss or damage arising from changes in the general business conditions, inadequate interpretation of decisions or lack of capacity to respond to changes in the business environment, which may impact the medium and long-term interests of the stakeholders
- **Reputational Risk:** risk of current or potential negative economic impact on the bank due to damage to the perception of the bank by employees, customers, shareholders/investors and society in general. Additionally, a relevant element of reputational risk is the possibility of amplification of minor or even unreal events, through the media, social networks or other dissemination channels.
- **Social Risk:** is defined as the possibility of occurrence of losses for the Institution caused by events associated with the violation of fundamental rights and guarantees or by acts harmful to the common interest. Example: harassment, slave labor, child labor, etc.
- **Environmental Risk:** is the possibility of occurrence of losses for the Institution caused by events associated with the degradation of the environment, including the excessive use of natural resources. Example: deforestation, pollution, environmental disaster, etc.;
- **Climate Risk:** climate risk is divided into two:
    - **Physical Climate Risk:** possibility of occurrence of losses for the Institution caused by events associated with frequent and severe weather or long-term environmental changes,

which may be related to changes in climate patterns. Examples: drought, flood, cyclone, frost, permanent change in temperature; and

  - **Transition Climate Risk:** possibility of losses for the institution caused by events associated with the process of transition to a low carbon economy, in which the emission of greenhouse gases is reduced or offset and the natural mechanisms for capturing these gases are preserved. Examples: technological innovation, change in supply and demand, negative customer perception, both related to the low carbon economy;

- **Tax Assets Risk:** risk arising from a possible event or change in current legislation, which makes it impossible for the Institution to benefit from the tax credit;
- **Contagion Risk:** is the possibility of losses for entities of Banco Santander Brasil's prudential conglomerate arising from their relationships, contractual or corporate, with other entities;
- **Insurance, Pension Plan and Capitalization Risks:** risks assumed by the Institution in relation to the pension plan commitments assumed with employees or other related companies, including the disbursement or pension plan contributions that the Institution makes of any nature. Pension Plan risk includes outcomes associated with any processes that generate actuarial imbalance, by initiative of the Institution or not, depending on the product (contribution plan).

Corporate Risk Management Principles

At Banco Santander, the risk activity is governed by principles aligned with Santander Group's strategy and business model, considering the recommendations of supervisory and regulatory agencies and the best market practices.

All employees must be aware of their responsibility in identifying, managing and reporting risks, understanding the risks generated by their daily activities and avoiding assuming them when the impacts are unknown or exceed risk appetite. Senior Management shall encourage consistent risk management and control through its conduct, actions and communications. It shall act in accordance with all local laws and regulations and appropriately report any non-compliance. It shall promote and evaluate the risk culture on a regular basis and oversee the maintenance of its profile in accordance with the levels defined by the risk appetite.

Risk control functions should perform their activities independently from the functions responsible for risk management and the organizational structure shall ensure adequate separation between these functions.

Risk management and control should be carried out exhaustively in all businesses and types of risk, including any impacts that may arise. The approach to risks should be prospective, considering trends over different time horizons and under different scenarios.

Risk management and control should be based on timely, accurate and sufficiently granular information. This allows risks to be identified, assessed, managed and reported to the appropriate level.

Aligned with current regulations and best market practices, the institution adopts a management based on lines of defense for risk control, namely:

- **1st Line - Risk Management:** Business Functions and Business Support that generate risks and have a primary responsibility for managing them;
- **2nd Line - Risk Control and Supervision:** Risk Control Functions, which control risk exposures, provide supervision and questioning, in addition to allowing a holistic view of risk across the entire business;
- **3rd Line – Risk Evaluation:** Internal audit that provides an independent review.

Each of the three lines of defense has a separate organizational structure and level of independence, but they collaborate with each other whenever necessary to ensure that business best practices are achieved.

The Institution has fundamental principles, which conduct the risk governance model. These principles seek to prioritize the independence of the risk function in relation to the business area, scope for risk management and control, adequate management of information and the continuous involvement of senior management in decision-making.

Regarding the objectives of Risk governance, these include:

- Enable effective and efficient risk decision-making;
- Supervise risk control; and
- Verify that risks are managed in accordance with the risk appetite defined by the Board of Directors.

To achieve these objectives, the governance structure is made up of committees that act according to pre-defined levels of authority.

The Institution's senior management committees are.

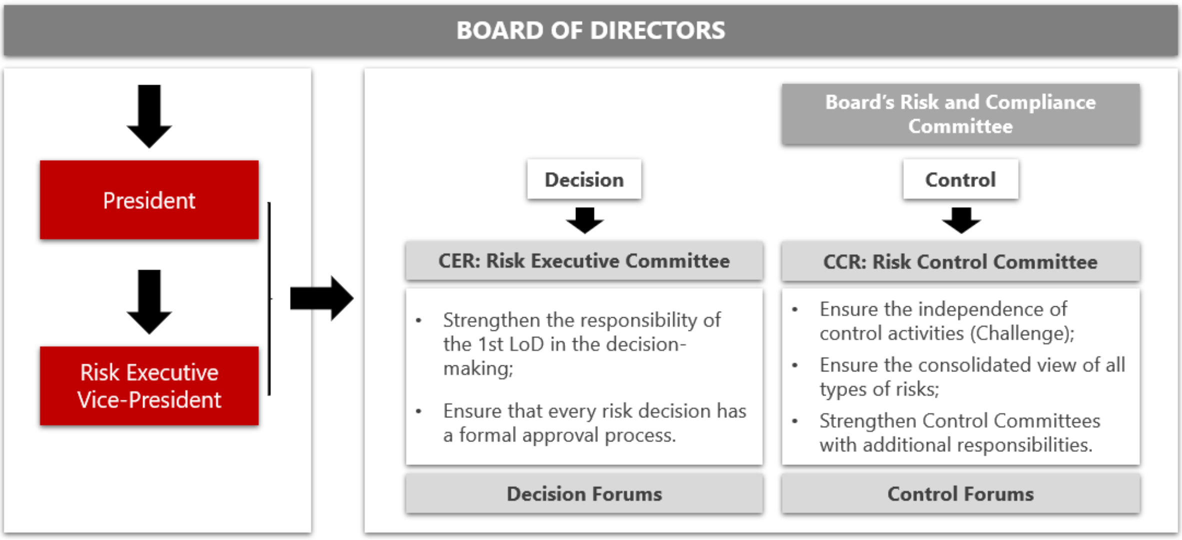
- **CA - Board of Directors** is primarily responsible for risk management and control. Key responsibilities include approving the Risk Appetite, General Risk Framework and promoting a solid risk culture; and
- **CRC - Risks and Compliance Committee** whose responsibility is to assist and advise the Board of Directors on Risk Appetite and overall risk strategy, as well on the decisions of the main topics inherent to risk management.

The Institution's Committees at the Executive level are:

- **CER - Executive Risk Committee** makes risk decisions and is responsible for managing the company's risk profile within the risk appetite, being the local decision-making forum with representatives of the Institution's senior management, including CEO, risk vice-president and the other members of the executive committee;
- **CCR - Risk Control Committee** is responsible for controlling risks, determining whether the business is managed within the Risk Appetite and providing a holistic view of all risks. This includes identifying and monitoring current and emerging risks and their impact on the risk profile, with representatives of the Institution's management, including risk vice-president, the finance vice-president and the CFO.

Relevant risk management topics, or those that may exceed the scope of these committees, shall be forwarded and decided by the Board of Directors.

Risk management topics are dealt with according to the governance structure represented below:



The governance model is structured prioritizing a vision of integral risk control and decision-making, with a focus on the analysis and approval of proposals and credit limits.

Risk Culture Dissemination Channels

The Risk Culture aims not only to reduce losses, but to generate opportunities based on the adequate management of the risks inherent to the business. Culture is associated with the Institution's values and knowledge of management processes and models, in addition to playing a leading role in anticipating risks.

It takes place and is disseminated through a set of norms, attitudes and behaviors related to awareness of the risks assumed and managed by everyone in the company. For this purpose, Banco Santander created its own identity in terms of its risk culture (financial and non-financial) called Risk Pro, where all the Group's units and employees develop their activities with a common goal: "Building the future, through an early management of all risks and protecting the present, through a robust control environment."

There is a framework of channels, actions and tools that are developed and used in favor of the continuous and effective dissemination of the risk culture, they are:

- The use of the intranet for the dissemination of good practices; screen saver with objective messages about risk management; and publication of all risk policies and regulations;
- Conducting the Risk Week, open to all Institution employees, promoting interactions and activities focused on risk management and Compliance;
- Risk and compliance certification, available at Santander Academy, fostering knowledge and in-depth knowledge of subjects for all employees;
- Availability of courses at Santander Academy aimed at Risk Management, for the entire Institution and specific to Risk professionals;
- Risk committees with the participation of the commercial area, among others, as another channel for acculturating credit risk management.

In addition to the above channels and tools, the Institution promotes an effective communication scenario, through transparency and open dialogue throughout the organization. For this purpose, the Institution provides several channels for interaction, complaints and suggestions for employees, such as: Open Channel (Canal Aberto), With me Santander (É Comigo Santander), among others, which are available on the intranet or via email, telephone and corporate portal.

Risk Reporting

The Institution has risk assessment processes that include measurement through robust systems, models and controls. The main objective is to meet the demands and best practices of the market, as well as the applicable and current regulations.

To monitor the effectiveness of risk management in the Institution, the main reports and indicators highlighted below are presented in senior risk management forums with the participation of senior management members.

Risk Appetite

The Risk Appetite is a tool that expresses the assessment of the Institution's exposure to the main risks on a given date through the Risk Appetite Statement (RAS), considering the management and control mechanisms that mitigate risks both in the current moment and in future expectations (normal and stressed conditions). The area responsible for controlling Risk Appetite makes the following reports:

- Monthly monitoring of the metrics and limits established for each type of risk, highlighting the main changes in the metrics, adequacy of the risk profile and excesses of the Risk Appetite. Such follow-up is presented at least quarterly in the committees: Risk Control Committee (CCR), the Risk and Compliance Committee (CRC) and the Board of Directors (CA). In addition, action plans are defined and monitored whenever any excess takes place;
- Communicating excess Risk Appetite metrics to senior management: CRO, CFO, CEO and the Board do Directors' president;
- Preparing RAS (Risk Appetite Statement) proposal with annual approval, or when there are significant changes in the business model, strategy, structure, business environment or regulations.

Risk Profile Assessment (RPA)

The risk profile assessment is carried out based on performance metrics and risk identification and assessment exercises in business plans, management and control models. The area responsible for controlling RPA makes the following reports:

- Semi-annual presentation of the results of the risk profile exercise, the potential risks that may affect the business plan and main offenders by type of risks to the Risk Control Committee (CCR);
- Presentation of RPA results as an integral part of ICAAP regulatory exercise of the Risk and Compliance Committee (CRC) and the Board of Directors (CA);

Monthly Risk Report / Risk Panel

It demonstrates the performance of the main metrics of each type of risk in a consolidated view for Senior Management. Additionally, there are fronts that contribute to monitoring the effectiveness of risk management.

Based on defined instruments, the Risk Control and Performance area performs actions monthly to manage the Operational Risks applicable to the role of first line of defense within the Risk Vice Presidence. Such activities include monitoring the amounts budgeted for losses and the respective forecast, management and governance of audit recommendations, ensuring adherence to training and education for participants in the Risk areas, monitoring and maintaining risk assessments and internal controls, monitoring and reporting of operational risk events, as well as the identifying root causes and their impacts, analyzing critical scenarios that could generate major impacts on the Institution and ensuring the implementation of action plans to mitigate all risks that present deviations.

Additionally, together with the Risk executive boards, the Risk Control and Performance area monitors all the recommendations made by the Internal Audit. With the aim of ensuring the timely implementation of action plans and providing governance for the issue, a monthly forum is held for presentation to the Vice-Presidency.

The Model Risks area is responsible for identifying and managing model risks, adding value throughout the life cycle (from planning, development, implementation, monitoring, validation and approval) and always seeking efficiency and better performance. The Internal Validation departments compose this structure as a 2nd line of defense, with the role of providing a qualified and independent opinion to assess the effectiveness of models and methodologies, increasing the mitigation of their corresponding risks.

All procedures, controls and reports described in relation to all types of risks are presented in the corresponding committees, sustaining management effectiveness.

Stress Test

In compliance with Resolution No. 4557 of the Central Bank of Brazil (on risk management structure, capital management structure and information disclosure policy), it is necessary, on the part of banks, to structure of a well-defined stress testing program, which allows the identification, measurement, evaluation, monitoring, control and mitigation of risks.

Thus, in compliance with regulations and in line with Banco Santander's commitment to ensure its long-term vision and risk management that makes the organization more resilient and capable of going through different scenarios, including the most exceptional ones, it was structured in the Institution the Stress Test area, as a way to guarantee the consistency of the estimation of the Institution's main stress exercises.

The conducted exercises cover the institution's entire prudential conglomerate and are based on the construction of macroeconomic stress scenarios by the Institution's economic team. They consider systemic scenarios of severe crises and with both global and local origins, as well as changes in climate patterns and the transition to a low-carbon economy.

The defined scenarios are incorporated into a robust methodological framework that involves the use of statistical models of PPNR (Pre Provision Net Revenues) - for the definition of the shocks of the main lines of results - and risk parameter models for the projection of stressed provisions, integrating the various sources of risk to which the Institution is exposed, in order to impact the balance sheet, the income statement and the regulatory capital in the Institution's strategic planning.

Stress exercises, in addition to meeting the requirements of Central Bank of Brazil, are also used for management purposes, given that the Institution adopts risk appetite metrics to monitor the volatility of losses to which it is willing to expose itself, and the guarantee of Banco Santander solvency even in adverse scenarios.

Thus, the exercise of stress becomes an important part of the chain of the Institution's management and strategic exercises, since an important part of the exercise of strategic planning and of the Institution's result and capital budget involves the adequacy of the risk profile projected by the planning to the limits and restrictions of the current RAS.

Risk Mitigation

The Institution's Risk Management Toolkit includes a series of key processes and tools designed to assist in the planning, identification, assessment, decision-making and execution, monitoring, mitigation and reporting of risks.

This set of tools is made up of processes, exercises and plans provided for in the appropriate policies and operating models of Santander Brazil Group:

- Risk Appetite Statement;
- Strategic plan, three-year plan and budget;
- Capital and Liquidity Plans;
- Business continuity and contingency plans;
- Recovery plan;
- Commercial strategic plans;
- Processes for risk identification and assessment;
- Risk models, development and validation standards;
- Stress tests and scenario analysis;
- Reporting;
- Risk governance (milestones, committee structures, policies).

The items mentioned above are used to facilitate the following processes for risk management and control:

- **Planning:** this is the process of defining business objectives. This should include the articulation between the types and levels of risk that the business is willing and able to accept in order to achieve these objectives;
- **Identification:** is a fundamental component for its effective management and control. All employees are responsible for identifying risks in their areas;
- **Assessment:** once identified, the risks shall be assessed, determining the probability, impact and materiality under different scenarios (baseline and stressed);

- **Decision making and execution:** Decisions are needed to manage the risk profile of the business within the limits agreed upon in the planning phase and to ensure that business objectives are achieved. Strategy decisions are also necessary for the management of material and emerging risks;
- **Performance vs. plan monitoring:** an essential activity is to monitor business performance on a regular basis and compare it to the agreed plans. Assessments shall compare business performance against all appropriate risk plans and limits;
- **Deviation action plans:** if the monitoring demonstrates that the performance has suffered or is likely to suffer a deviation, outside the defined intervals or triggers, a mitigation action must be considered so that the performance returns or stays at acceptable levels;
- **Reporting:** the reporting of risks includes the preparation and presentation of accurate and relevant information about management, which should provide effective support for planning, identifying, evaluating, taking decisions and executing, monitoring and mitigating risks;

Recovery Plan

In response to the latest international crises, the Central Bank of Brazil published Resolution No. 4502, which requires the development of a Recovery Plan by financial institutions classified in Segment 1 (S1), such as Banco Santander. This document aims to restore adequate levels of capital and liquidity, above regulatory limits, in the face of severe stress shocks of a systemic or idiosyncratic nature and is annually reviewed by the Regulator.

The Recovery Plan comprises the set of structural mechanisms established to measure, manage and monitor the Institution’s risks. In this sense, the Recovery Plan is integrated, among other tools, with the Risk Appetite Statement, Risk Profile Assessment (RPA) and Internal Capital Adequacy Assessment Processes (ICAAP).

The Recovery Plan is integrated into Santander’s risk management process. In addition, it has defined a director responsible for conducting the normalization of the severe crisis scenario, together with the President, the Board of Executives and the Board of Directors.

Capital Management

Capital management encompasses the regulatory and economic levels of capital. The objective is to achieve an efficient structure in terms of cost of capital, complying with the regulatory agency’s requirements, contributing to achieving the rating agencies’ classification targets, investors’ expectations and supporting the business in monitoring RWA consumption and metrics of return on capital, which allow evaluating the performance of each segment, and the use of these metrics in the pricing of new operations.

From an economic point of view, the group uses an internal capital measurement model to assess whether its own resources are sufficient to support all the risks of the activity, in different economic scenarios and respecting the solvency levels defined by the Group. This includes elements not captured by regulatory capital, such as portfolio concentration and diversification across risks, businesses, and geographic areas.

In addition, we seek to maximize “value creation” in each business segment and in the Institution as a whole. To this end, capital management uses capital profitability indicators to perform a detailed analysis of the value creation of each segment and its subdivisions.

To properly manage the Institution’s capital, it is essential to project and analyze future needs, anticipating the various phases of the business cycle. Simulations of regulatory and economic capital are made based on financial projections and macroeconomic scenarios prepared by the economic research department. These simulations are used by the Institution as a reference to adapt the necessary action plans to achieve the defined risk and profitability objectives.

For the framework of integration in capital management to work properly, it is essential to develop methodologies and models that can discriminate different levels of risk. In this context, Banco Santander invests in the implementation of technological platforms and in the maintenance of teams made up of qualified professionals from different areas to participate in the specification and development of risk and capital models, which are essential inputs for capital management.

Such investments reaffirm the Institution’s commitment to improving its management models. Thus, internal capital estimates are used not only to ensure solvency in the face of occurrences caused by different types of risk, but also to manage and compare businesses. In this process, Senior Management is fully involved through Committees, which regularly report on the progress of projects and the implications of their implementation.

OV1: Overview of risk-weighted assets (RWA)

	RWA		Minimum requirement
R$ million	**Dec-23**	**Sep-23**	**Dec-23**
Credit risk (excluding counterparty credit risk)	**516.877**	**522.051**	**41.350**
Of which: standardised approach	516.877	522.051	41.350
Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
Counterparty credit risk (CCR)	**18.226**	**13.646**	**1.458**
Of which: standardized approach (SA-CCR)	15.022	10.526	1.202
Of which: CEM approach	-	-	-
Of which: others	3.204	3.120	256
Equity investments in funds - look-through approach	1.178	450	94
Equity investments in funds - mandate-based approach	146	333	12
Equity investments in funds - fall-back approach	1.134	1.692	91
Securitisation exposures in banking book	3.103	9	248
Market risk[1]	**33.003**	**31.939**	**2.640**
Of which: standardized approach	38.911	37.730	3.113
Of which: internal models approach	12.719	13.796	1.017
Operational risk	**60.491**	**60.491**	**4.839**
Payment Services risk (RWASP)	N/A	N/A	N/A
Amounts for exposures not deducted from total capital	20.296	21.469	1.624
Total	**654.454**	**652.080**	**52.356**

[1] Maximum between 80% of the standardized model (RWAMPAD) and internal model (RWAMINT). Considers the increase in the RWACVA portion in accordance with BCB Resolution 291/23.

Comparison between Accounting and Prudential Information

In this item, the differences between the book values reported in the financial statements and the exposures subject to prudential regulatory treatment will be addressed.

LIA: Information on Differences between Financial Statements and Regulatory Exposures

The main difference between the Financial Statement and the regulatory exposures is the non-inclusion in the Prudential Consolidated of non-financial companies, among which service companies and insurance companies, which impacts both the assets that are consolidated as well as the elimination of related parties transactions (intercompany assets).

The prudential adjustments are calculated based on Resolution No. 4277 of October 31, 2013, and it considers the costs of liquidating positions, credit spreads, costs of investing and raising funds, risk of prepayment, future administrative costs, operational risks, model risks and concentration risk. The pricing methodology is carried out by the market risk area, seeking available information on prices, market data and relevant liquidity. The methodologies, procedures, controls and policies of prudential adjustments follow the principles established by the Central Bank of Brazil (BACEN). All methodologies and procedures are also approved and recurrently reviewed by the validation areas, and subject to recurrent verification by internal and external audits. The perimeter subject to the analysis of the application of prudential adjustments comprises the prudential conglomerate.

Where available, the measurement of fair value is made considering prices and data from relevant markets. In the absence of such data, models are used to estimate with the best possible accuracy the fair price and prudential adjustments. Prudential adjustments are monitored and their variations are detailed in terms of changes in the portfolio profile, changes in the economic scenario or changes in market behavior for a given product or risk factor.

The independent price verification process (IPV) is carried out by a team independent of the pricing team, also observing prices and relevant market data, and is determined by methodologies and procedures approved and subject to verification by the validation and internal audit areas and external.

The IPV process contrasts the pricing team's markup against available data to note possible discrepancies or potential mismarks on financial instruments. This procedure occurs both recurrently for existing products and is also an item analyzed in the flow of admission and implementation of new products.

The amount reported in other differences in table LI2 is equivalent to credit risk and counterparty credit risk exposures not recorded on the balance sheet.

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

R$ million, at the end of the period							Dec-23
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			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	10.109	10.323	10.323	-	-	10.323	-
Securities	998.194	954.117	800.782	113.876	6.321	289.579	26.971
Lease Operations	3.164	5.521	5.521	-	-	-	-
Credit provision for expected losses	(35.375)	(37.178)	(37.178)	-	-	-	-
Deferred Tax Assets	55.624	44.936	36.038	-	-	-	8.898
Other Assets	106.925	185.464	118.129	-	-	67.050	284
Investments	939	11.021	11.021	-	-	-	-
Real estate	5.655	6.477	6.477	-	-	-	-
Intangible	7.961	7.902	-	-	-	-	7.902
Total Assets	**1.153.196**	**1.188.583**	**951.113**	**113.876**	**6.321**	**366.952**	**44.055**
Liabilities							
Deposits and other securities	967.725	923.391	-	96.298	-	83.600	743.493
Provisions	87.189	161.051	-	-	-	-	161.051
Deferred Tax Liabilities	11.037	8.366	-	-	-	-	8.366
Total liabilities	**1.065.951**	**1.092.809**	**-**	**96.298**	**-**	**83.600**	**912.911**

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

R$ million					Dec-23
	Total	Carrying values of items:			
		Subject to credit risk framework	*Subject to counterparty credit risk framework*	*Subject to the securitisation framework*	*Subject to the market risk framework*
Asset carrying value amount under scope of regulatory consolidation	1.144.528	951.113	113.876	6.321	366.952
Liabilities carrying value amount under regulatory scope of consolidation	179.898	-	96.298	-	83.600
Total net amount under regulatory scope of consolidation	**964.630**	**951.113**	**17.578**	**6.321**	**283.352**
Off-balance sheet amounts	237.921	237.921	-	-	-
Differences in valuations	-	-	-	-	-
Other differences	49.774	-	49.774	-	-
Exposure amounts considered for regulatory purposes	**1.252.325**	**1.189.034**	**67.352**	**6.321**	**283.352**

Non-accounting exposures are classified under other differences.

PV1: Prudent valuation adjustments

R$ million								Dec-23
	Equity	**Interest rates**	**FX**	**Credit**	**Commodities**	**Total**	*Of which: In the trading book*	*Of which: In the banking book*
Closeout uncertainty, of which:	1	7	3	41	-	53	14	39
Closeout cost	1	7	3	10	-	22	11	10
Concentration	-	-	-	31	-	31	3	29
Early termination	-	-	-	-	-	-	-	-
Model risk	-	-	-	-	-	-	-	-
Operational risk	-	3	1	3	-	7	4	3
Investing and funding costs	-	-	-	-	-	-	-	-
Unearned credit spreads	-	4	2	4	-	11	11	-
Future administrative costs	-	12	5	12	-	29	29	-
Other	-	24	10	7	-	41	20	21
Total adjustment	**2**	**51**	**21**	**67**	**-**	**141**	**77**	**63**

Institutions that comprise the financial and the regulatory statements

Dec-23
Institutions that compose the Financial Statements and the Prudential Consolidated:
Banco Santander (Brasil) S.A.
Cayman Islands Branch Bsb
Luxembourg Branch Bsb
Banco Bandepe S.A.
Santander Leasing S.A. Arrendamento Mercantil
Banco RCI Brasil S.A.
Aymoré Crédito, Financiamento e Investimento S.A.
Santander Corretora de Câmbio e Valores Mobiliários S.A.
Santander Brasil Administradora de Consórcio Ltda.
Santander Fundo de Investimento Diamantina Multimercado Crédito Privado de Invest. no Exterior
Santander FI Hedge Strategy Fund
Santander Fundo de Investimento Amazonas Multimercado Crédito Privado de Invest. no Exterior
Santander Fundo de Investimento SBAC Referenciado DI Crédito Privado
Santander Fundo de Investimento Guarujá Multimercado Crédito Privado de Investimento no Exterior
Prime Fundo de Investimento Imobiliário (Atual denominação da BRL V Fundo de Investimento Imobiliário FII)
Return Capital Serviços de Recuperação de Créditos S.A.
Fundo de Investimento em Direitos Creditórios Multisegmentos NPL Ipanema VI
Ben Benefícios e Serviços Instituição de Pagamento S.A.
Venda de Veículos Fundo de Investimento em Direitos Creditórios
PI Distribuidora de Títulos e Valores Mobiliários S.A.
Banco Hyundai Capital Brasil S.A.
Santander Hermes Multi Créd Priv Infra Fundo de Invest
Fundo de Investimento em Direitos Creditórios Atacado
Atual - Fundo de Investimento Multimercado Crédito Privado Investimento no Exterior
TORO Corretora de Títulos e Valores Mobiliários Ltda.
Getnet Fundo De Investimento Em Direitos Creditórios
Santander Flex Fundo de Investimento Direitos Creditórios
San Créditos Estruturados | Fundo de Investimento em Direitos Creditórios
D365 Fundo De Investimento em Direiros Creditórios
FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS TELLUS
Precato IV Fundo de Investimento em Direitos Creditorios - NAO PADRONIZADOS

Dec-23
Institutions that comprise only the Prudential Consolidated:
Santander Getnet Serviços para Meios de Pagamento S.A.
Superdigital Instituição de Pagamento S.A.
Getnet Sociedade de Crédito Direto
Institutions that comprise only the Financial Statements:
Santander Corretora de Seguros, Investimentos e Serviços S.A.
Evidence Previdência S.A.
Sancap Investimentos e Participações S.A.
Santander Tecnologia e Inovação Ltda (F1rst Tecnologia)
Esfera Fidelidade S.A.
SANB Promotora de Vendas e Cobrança Ltda.
Santander Holding Imobiliária S.A. (Atual denominação da Webcasas S.A.)
Rojo Entretenimento S.A.
Santander Capitalização S.A.
SX Negócios Ltda (Atual denominação da Toque Fale Serviços de Telemarketing Ltda.)
Summer Empreendimentos Ltda.
GIRA, Gestão Integrada de Recebíveis do Agronegócio S.A.
TORO Investimentos S/A
Liderança Serviços Especializados em Cobranças LTDA.
Solution Fleet Consultoria Empresarial S.A.
APE Tecnologia e Negócios Imobiliários S.A.
Monetus Investimentos S.A.
MOBILLS CORRETORA DE SEGUROS LTDA.
MOB Soluções em Tecnologia LTDA.
Mobills Labs Soluções em Tecnologia LTDA.
SX Tools Soluções e Serviços Compartilhados LTDA

Material Institutions

R$ Millions			Dec-23
Material Institutions:			
Institutions that comprise only the Financial Statements	**Activity**	**Total Assets**	**Equity**
Santander Corretora de Seguros, Investimentos e Serviços S.A.	Other activities	18.205	6.476
Santander Capitalização S.A.	Premium bonds	5.549	411
Esfera Fidelidade S.A.	Other activities	3.812	908
Evidence Previdência S.A.	Pension Plan	2.754	833
Sancap Investimentos e Participações S.A.	Holding	1.508	1.357
Santander Tecnologia e Inovação Ltda.	Technology	1.110	425

Capital Composition

CCA: Main Characteristics of the Instruments that Comprise the Reference Equity (PR)

CCA Table - Main Characteristics of the Instruments that Comprise the Reference Equity (PR) is available at: <https://www.santander.com.br/ri/gerenciamento-de-risco>.

CC1: Composition of Regulatory Capital

R$ Thousand	Dec-23	
	Value	Balance Sheet Reference
Common Equity Tier I: instruments and reserves		
Instruments Eligible for the Common Equity Tier I	55.000.000	e
Revenue reserves	34.484.764	g
Other revenue and other reserves	(3.216.025)	f + h
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)	3.862.617	j
Common Equity Tier I before regulatory adjustments	**90.131.356**	
Common Equity Tier I: prudential adjustments		
Prudential adjustments related to the pricing of financial instruments	140.558	
Goodwill (net of related tax liability)	579.015	c
Intangible assets	7.322.795	c
Tax credits arising from income tax losses and social contribution tax loss carryfowards and those originating from this contribution related to determination periods ended until December 31, 1998	5.568.004	a
Adjustments related to the market value of derivative financial instruments used to hedge the cash flows of protected items whose mark-to-market adjustments are not recorded in the books.	87.731	h
Actuarial assets related to defined benefit pension funds	283.703	
Shares or other instruments issued by the bank authorized to compose the Core Capital, acquired directly, indirectly or synthetically	1.106.783	i
Reciprocal cross-holdings in common equity	-	
Total value of adjustments related to net non-significant investments in the Common Equity Tier I of companies that are similar to non-consolidated financial institutions, insurance companies, reinsurance companies, capitalization companies and sponsored pension fund entities	-	
Total value of adjustments related to net significant investments in the Common Equity Tier I of companies that are similar to non-consolidated financial institutions, insurance companies, reinsurance companies, capitalization companies and sponsored pension fund entities, that exceeds 10% of the amount of the Common Equity Tier I, disregarding specific adjustments	-	b
Total value of adjustments related to tax credits arising from temporary differences that depend on the generation of income or future taxable income for their realization, above the limit of 10% of the Common Equity Tier I, disregarding specific deductions	-	a + d
Amount that exceeds 15% of the Common Equity Tier I	-	
Of which: arising from net investments in the Common Equity Tier I of companies that are similar to non-consolidated financial institutions, insurance companies, reinsurance companies, capitalization companies and open ended pension entities	-	
Of which: arising from tax credits resulting from temporary differences that depend on the generation of income or future taxable income for their realization	-	
National specific regulatory adjustments	-	
Deferred permanent assets	-	
Investment in dependence, financial institution abroad or non-financial entity that is part of the conglomerate, with respect to which the Central Bank of Brazil does not have access to information, data and documents	-	
Increase of unauthorized capital	-	
Excess of the amount adjusted of Common Equity Tier I	-	
Deposit to cover capital deficiency	-	
Amount of intangible assets established before Resolution No. 4,192 of 2013 comes into effect	-	
Excess of resources invested on permanent assets	-	
Total capital detached	-	
Other residual differences concerning the Common Equity Tier I calculation methodology for regulatory purposes	-	
Other residual differences related to the calculation of the Common Equity Tier I for regulatory purposes	-	
Total regulatory deductions from the Common Equity Tier I	**15.088.589**	
Common Equity Tier I	**75.042.768**	
Additional Tier I Capital: instruments		
Instruments eligible for the Additional Tier I Capital	6.116.218	
Of which: classified as equity under applicable accounting standards	-	
Of which: classified as liabilities under applicable accounting standards	6.116.218	
Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital)	100.119	
Additional Tier I Capital before regulatory adjustments	**6.216.337**	

Additional Tier I Capital: regulatory adjustments	
Shares or other instruments issued by the bank authorized to compose the Additional Tier I Capital, acquired directly, indirectly or synthetically	-
Reciprocal cross-holdings in additional Tier 1 instruments	-
Total value of adjustments related to net non-significant investments in the Additional Tier I Capital of institutions authorized to operate by the Central Bank of Brazil or by a financial institution abroad outside the scope of regulatory consolidation	-
Total value of adjustments related to net significant investments in the Additional Tier I Capital of institutions authorized to operate by the Central Bank of Brazil or by a financial institution abroad outside the scope of regulatory consolidation	-
National specific regulatory adjustments	-
Non-controlling interest in Additional Tier I Capital	-
Other residual differences concerning the Additional Tier I Capital calculation methodology for regulatory purposes	-
Regulatory adjustments applied to the Additional Tier I Capital due to the insufficient Tier II Capital to cover deductions	-
Total regulatory deductions from the Additional Tier I Capital	-
Additional Tier I Capital (AT1)	**6.216.337**
Tier I	**81.259.105**
Tier II: instruments	
Instruments eligible for Tier II	13.510.749
Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	133.492
Tier II before regulatory adjustments	**13.644.241**
Tier II: regulatory adjustments	
Shares or other instruments issued by the bank authorized to compose Tier II, acquired directly, indirectly or synthetically	-
Reciprocal cross-holdings in Tier 2 instruments	-
Total value of adjustments related to net non-significant investments in the Tier II and other TLAC liabilities of institutions authorized to operate by the Central Bank of Brazil or by a financial institution abroad outside the scope of regulatory consolidation	-
Total value of adjustments related to net significant investments in the Tier II and other TLAC liabilities of institutions authorized to operate by the Central Bank of Brazil or by a financial institution abroad outside the scope of regulatory consolidation	-
National specific regulatory adjustments	-
Non-controlling interest in Tier II	-
Other residual differences concerning Tier II calculation methodology for regulatory purposes	-
Total regulatory deductions from Tier II Capital	-
Tier II	**13.644.241**
Referential Equity (Tier I + Tier II)	**94.903.346**
Total risk-weighted assets	**654.454.439**
BIS Ratios and Additional Capital Buffers	
Common Equity Tier I Ratio	**11,5%**
Tier I Ratio	**12,4%**
BIS Ratio	**14,5%**
Additional Capital Buffers (% of RWA)	3,5%
Of which: capital conservation buffer requirement	2,5%
Of which: bank-specific countercyclical buffer requirement	0,0%
Of which: capital buffer for institutions that are systemically important at global level (G-SIB)	1,0%
Common Equity Tier 1 capital available after meeting the bank's minimum capital requirements (% of RWA)	**2,9%**
Amounts below the limit for deduction (non-weighted by risk)	
Total value, subject to risk weighting, of non-significant investments in the Common Equity Tier I of institutions authorized to operate by the Central Bank of Brazil, non-consolidated overseas financial institutions, companies that are similar to non-consolidated financial institutions, insurance companies, reinsurance companies, capitalization companies and open ended pension entities, as well as non-significant investments in the Additional Tier I, Tier II and other TLAC liabilities of institutions authorized to operate by the Central Bank of Brazil or by a financial institution abroad outside the scope of regulatory consolidation	-
Total value, subject to risk weighting, of significant investments in the Common Equity Tier I of institutions authorized to operate by the Central Bank of Brazil, non-consolidated overseas financial institutions, companies that are similar to non-consolidated financial institutions, insurance companies, reinsurance companies, capitalization companies and sponsored pension fund entities	1.223.774
Tax credits arising from temporary differences, not deducted from the Common Equity Tier I	10.224.952

CC2: Reconciliation of regulatory capital to balance sheet

R$ million, at the end of the period			Dec-23
	Balance Sheet as in published financial statements	Under regulatory scope of consolidation	Balance Sheet Reference
Assets			
Cash and cash equivalents	10.109	10.323	
Securities	998.194	954.117	
Lease Operations	3.164	5.521	
Credit provision for expected losses	(35.375)	(37.178)	
Deferred Tax assets	55.624	44.936	a
Other assets	106.925	185.464	
Investments	939	11.021	b
Real Estate	5.655	6.477	
Intangible	7.961	7.902	c
Total assets	**1.153.196**	**1.188.583**	
Liabilities			
Deposits and other securities	967.725	923.391	
Provisions	87.189	161.051	
Deferred tax liabilities	11.037	8.366	d
Total liabilities	**1.065.951**	**1.092.809**	
Stockholders' Equity			
Capital	55.000	55.000	e
Capital Reserves	608	605	f
Revenue Reserves	34.823	35.000	g
Other comprehensive income	(3.240)	(3.247)	h
Treasury Shares	(1.107)	(1.107)	i
Non-controling interests	1.161	9.523	j
Total Stockholder's equity	**87.245**	**95.774**	

Macroprudential Indicators

GSIB1: Characterization of Global Systemically Important Financial Institutions (G-SIBs)

GSIB1 table should only be disclosed by institutions subject to verification of information for the assessment of global systemic importance (IAISG), referred to in Circular Letter No. 3751, of March 19, 2015. Banco Santander is not subject to verification of this information.

CCyB1: Geographical distribution of credit risk exposures considered in the calculation of the Countercyclical Capital Buffer

R$ million | **Dec-23**

Jurisdiction	Countercyclical capital buffer rate - ACCPi	Exposure values and/or risk- weighted assets (RWA) used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical capital buffer amount
		Amount of credit risk exposure to the non-banking private sector	*RWA $_{CPrNB}$*		
Brazil	0,0%	3.098.071	535.065		-
Australia	1,0%	10	2		-
France	0,5%	20.318	1.106		-
Germany	0,75%	160	-		-
Luxembourg	0,5%	5.532	151		-
Norway (non-member jurisdiction)	2,5%	1	-		-
United Kingdom	2,0%	41.707	822		-
Subtotal		**3.165.799**	**537.146**		
Total		**3.801.269**	**545.034**	**-**	**-**

Banco Santander has a foreign exposure with 22 countries that do not have Countercyclical Capital Buffer (ACCPi) in December/23.

Leverage Ratio (RA)

In October 2015, Circular Letter No. 3748 came into force, regulating the Leverage Ratio (RA), which evaluates the ratio between Tier I Capital and Total Exposure, considering the off-balance portion (limits, guarantees, sureties and derivatives). The following sections present a comparative summary between the Published Financial Statements and the Leverage Ratio.

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure (RA)

R$ million	Dec-23
Total consolidated assets as published financial statements	1.153.196
Adjustment from differences of consolidation	35.387
Total assets of the individual balance sheet or of the regulatory consolidation, in the case of Leverage Ratio on a consolidated basis	**1.188.583**
Adjustments for derivative financial instruments	12.753
Adjustment for securities financing transactions (ie repos and similar secured lending)	91.851
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet	69.679
Other adjustments	(237.112)
Total Exposure	**1.125.754**

LR2: Leverage ratio common disclosure

R$ million	Dec-23	Sep-23
Items shown in the Balance Sheet		
On-balance sheet exposures (excluding derivatives, securities financing transactions (SFTs), and resales for settlement under repurchase transactions)	856.888	843.377
Adjustments for equity items deducted in the calculation of Tier I	(17.084)	(18.200)
Total exposure shown in the Balance Sheet	**839.804**	**825.176**
Transactions using Derivative Financial Instruments		
Replacement value for derivatives transactions	32.000	30.536
Potential future gains from derivatives transactions	12.753	12.995
Adjustment for collateral in derivatives transactions	-	-
Adjustment related to the deduction of the exposure because of the 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	(12.221)	(12.372)
Reference value for credit derivatives	-	-
Adjustment of reference value calculated for credit derivatives	-	-
Total exposure for derivative financial instruments	**32.532**	**31.159**
Repurchase Transactions and Securities Lending		
Investments in repurchase transactions and securities lending	91.887	119.009
Adjustment for repurchases for settlement and creditors of securities lending	-	-
Amount of counterparty credit risk	91.851	28.560
Amount of counterparty credit risk in transactions as intermediary	-	-
Total exposure for repurchase transactions and securities lending	**183.738**	**147.569**
Off-balance sheet items		
Reference value of off-balance sheet transactions	239.549	227.735
Adjustment for application of FCC specific to off-balance sheet transactions	(169.870)	(162.135)
Total off-balance sheet exposure	**69.679**	**65.600**
Capital and Total Exposure		
Tier I Capital	**81.259**	**79.341**
Total Exposure	**1.125.754**	**1.069.504**
Leverage Ratio		
Leverage Ratio (%)	**7,2%**	**7,4%**

Liquidity Indicators

LIQA: Qualitative Information on Liquidity Risk Management

Liquidity risk is associated with the Institution's capacity to finance the commitments acquired at market prices and carry out its business plans with stable sources of financing. In this context, liquidity risk is defined as the possibility of the Institution not meeting its payment obligations on time or making it at an excessive cost. Among the types of losses caused by this risk are the losses from forced sales of assets or impacts on the margins due to the mismatches between forecasted cash outflows and inflows.

In short, Liquidity Risk management and control aim to mitigate solvency problems in different time horizons, enabling the settlement of commitments already assumed and their renewal, ensuring the stability of the Institution's business plan.

The governance of Liquidity Risks at Banco Santander involves several layers of the Institution. Among the main ones are the Assets and Liabilities Committee (ALCO), the Financial Management area and the Risk area.

The Assets and Liabilities Committee (ALCO) monitors the liquidity indicators, approves the respective limits, defines and evaluates the strategies related to the Institution's liquidity. The Financial Management area acts as the first line of defense, responsible for liquidity management, by planning resource needs, structuring the sources of financing, improving the diversification of terms and instruments and preparing the Contingency Plan.

The Risk area, independent and in a separate structure from the Financial Management area, acts as a second line of defense. In this way, it defines the methodology and hypotheses for measuring the Liquidity Risk, establishes metrics and monitors the limits aligned with the Institution's Risk Appetite, informing the Institution's liquidity situation to Senior Management and the other areas involved.

Acting independently from the business areas, the Liquidity Risk control area makes use of short-term (LCR) and long-term (NSFR) metrics, metrics in stress situations and other complementary metrics for proper liquidity risk management, which can measure the level of safe liquidity for the Institution to comfortably honor its obligations to the market and shareholders. All metrics and activities are subject to model validation, controls and auditing to ensure the consistency and impartiality of the generated information.

To assist management, some liquidity ratios are calculated monthly as are the ratios of concentration of counterparties and by segments.

In addition to the indicators, Banco Santander complies with the requirements of the Central Bank, through Resolution No. 4557, about the structure and management of risk and capital, which establishes a liquidity management structure that meets:

- Clearly documented policies and strategies for managing liquidity risk, which establish operational limits and procedures aimed at maintaining exposure to liquidity risk at the levels established by the institution's Management;
- Processes to identify, assess, monitor and control exposure to liquidity risk over different time horizons, including intraday;

- Funding policies and strategies that provide adequate diversification of funding sources and maturity dates;
- Liquidity Contingency Plan, regularly updated, which establishes responsibilities and procedures to face situations of liquidity stress and which addresses different scenarios with potential adverse impact on the Institution's liquidity, arising from systemic or image events;
- The policies and strategies for managing liquidity risk, as well as the Contingency Plan, are approved and reviewed, at least annually, by the Institution's executive board and board of directors.

Effective liquidity management requires an analysis of financial scenarios, in which adverse situations are evaluated. To assess these behaviors, the Institution makes use of the Stress Test model, which aims to study impacts on the Institution's structure from different perspectives., an attempt to anticipate solutions or even avoid positions that harm liquidity in these scenarios.

The scenarios are defined based on the analysis of market behavior during previous crises, as well as future estimates. Four crisis scenarios are prepared, with different intensities, which are the image stress, local stress, global stress and a combined scenario.

Based on the analysis of the stress models, the concept of minimum liquidity is defined, which is sufficient to support liquidity losses for a given horizon of days, in the worst stress scenario.

Based on the results obtained in the Stress Test, the Institution seeks ways to avoid positions that may differ from its business model and, additionally, uses it to prepare its Contingency and Recovery Plan, which constitutes a formal set of preventive and corrective actions to be taken in times of liquidity crisis, in addition to other relevant indicators that support senior management decisions.

Among the main functions of the Liquidity Contingency Plan, can be highlighted:

- Crisis Identification: the preparation of the Liquidity Contingency Plan requires the prior definition of a measurable parameter that defines the condition and structure of the Institution's liquidity. This parameter is the Minimum Liquidity Limit defined in the Stress Test. Violation of this limit characterizes an environment of liquidity crisis and, consequently, triggers the Contingency Plan;
- Internal Communication: after identifying the crisis, it is necessary to establish a clear communication capable of mitigating the originating problems. The people involved in the execution of the contingency actions must be informed both of the degree and of the measures to be taken;
- Corrective Actions: are the actions that will effectively be able to generate resources to solve or mitigate the effects of the crisis:
    - Access the type and severity of the crisis;
    - Identify which segment is most impacted;
    - Activate the measures that generate resources, taking into account the amount needed and the cost of the additional resource, whether financial or image cost.

The Contingency Plan is reviewed and approved annually on the Asset and Liability Committee - ALCO.

Regarding the liquidity risk control and management metrics, the LCR indicator stands out as a short-term liquidity index for a 30-day stress scenario, defined by the regulator, resulting from dividing the Institution's high-quality liquid assets (HQLA) by net cash outflows in 30 days.

The Total High Quality Liquidity Assets - HQLA (Liquid Assets) is composed mainly of Brazilian federal government bonds and compulsory deposit returns. Net outflows are mainly composed of deposit losses, partially offset by inflows, mainly credits. It is daily calculated, but the report is made monthly to the Central Bank of Brazil and Europe.

For the long-term liquidity risk management, the indicator used is the NSFR (Net Stable Funding Ratio), a metric developed by BIS and adapted by the local regulator, which aims, through certain percentages, to verify whether the Institution has a stable source of funding to support its assets. This metric has different weightings by time. It is calculated monthly and reported to the Central Bank of Brazil and to the external regulator.

LIQ1: Liquidity Coverage Ratio (LCR)

Banco Santander has an average LCR in the quarter of 144,0%, with a decrease in relation to the average of the previous quarter. The table shows a total of R$186 billion in liquid assets (HQLA), a comfortable amount to cover the total cash outflows in a stress period greater than the 30 days proposed by the metric.

	Dec-23		Sep-23	
	Total unweighted value (In thousand R$)	Total weighted value (In thousand R$)	Total unweighted value (In thousand R$)	Total weighted value (In thousand R$)
High Quality Liquidity Assets (HQLA)				
Total High Quality Liquid Assets (HQLA)		**185.787.616**		**173.992.313**
Cash Outflows				
Retail deposits and deposits from small business customers, of which:	225.277.921	22.438.735	220.420.820	21.944.425
Stable deposits	121.069.428	6.053.471	119.034.270	5.951.714
Less stable deposits	104.208.494	16.385.263	101.386.550	15.992.712
Unsecured wholesale funding, of which:	269.298.522	112.168.514	256.066.713	106.598.048
Operational deposits (all counterparties) and deposits in networks of cooperative banks	15.836.422	4.666.228	7.978.539	2.617.882
Non-operational deposits (all counterparties)	250.676.010	104.716.196	244.613.618	100.505.609
Unsecured debt	2.786.090	2.786.090	3.474.556	3.474.556
Secured wholesale funding	-	17.169.802	-	15.401.398
Additional requirements, of which:	98.740.036	17.776.592	96.825.385	17.520.836
Outflows related to derivative exposures and other collateral requirements	12.538.072	12.538.072	12.364.577	12.364.577
Outflows related to loss of funding on debt products	-	-	-	-
Credit and liquidity facilities	86.201.965	5.238.520	84.460.808	5.156.259
Other contractual funding obligations	42.414.575	42.414.575	34.726.114	34.726.114
Other contingent funding obligations	6.689.636	6.555.292	5.646.093	5.513.480
Total Cash Outflows		**218.523.510**		**201.704.301**
Cash Inflows				
Secured lending (eg reverse repos)	103.967.684	-	99.511.608	-
Inflows from fully performing exposures	57.503.978	46.744.309	60.583.915	48.868.383
Other cash inflows	44.889.865	42.752.972	36.917.741	34.750.909
Total Cash Inflows	**206.361.527**	**89.497.281**	**197.013.264**	**83.619.292**

Total Adjusted Value	**Total Adjusted Value (In thousand R$)**	**Total Adjusted Value (In thousand R$)**
Total HQLA	185.787.616	173.992.313
Total net cash outflows	129.026.229	118.085.009
Liquidity Coverage Ratio - LCR (%)	**144,0%**	**147,3%**

	Monthly Observations		Monthly Observations
October 2023	23	July 2023	18
November 2023	20	August 2023	22
December 2023	20	September 2023	21
Quarterly total	**63**	**Quarterly total**	**61**

The total number of observations that occurred in the fourth quarter of 2023 was 63, 23 in October, 20 in November and 20 in December. In the previous quarter, there were 61 observations, 18 in July, 22 in August and 21 in September.

LIQ2: Net Stable Funding Ratio (NSFR)

The net stable funding ratio (NSFR) table shows the amount of available stable funding (ASF) of R$583 billion, composed mainly of the bank's capital and funding from clients of various segments, and a total of R$527 billion of required stable funding (RSF), mostly made up of loans and financing. The relationship between available and required stable funding results in a final indicator of 110,5%, demonstrating the institution's high sufficiency for financing its long-term operations.

Dec-23

	Value per residual effective maturity term (in R$ thousand)				Weighted Value (In thousand R$)
	No Maturity	***Lower than six months***	***Greater than or equal to six months, and lower than 1 year***	***Greater than or equal to 1 year***	
Available Stable Funding (ASF)					
Capital	109.771.834	-	-	-	109.771.834
Total Capital, gross of regulatory deductions	109.771.834	-	-	-	109.771.834
Other capital instruments not included in line 2	-	-	-	-	-
Retail Funding, of which:	60.885.979	188.584.841	3.644.434	10.223.202	244.606.334
Stable Funding	50.644.732	80.574.246	369.084	36.535	125.045.193
Less Stable Funding	10.241.247	108.010.595	3.275.351	10.186.668	119.561.141
Wholesale Funding, of which:	34.230.284	452.732.282	46.531.660	49.823.765	219.603.632
Operational deposits and deposits of member cooperatives	-	14.245.422	-	-	7.122.711
Other Wholesale Funding	34.230.284	438.486.860	46.531.660	49.823.765	212.480.921
Opertions in which the institution acts exclusively as intermediary, not undertaking any rights or obligations, even if contingent	-	80.507.051	-	-	-
Other liabilities, of which:	-	124.846.409	2.330.499	22.100.194	8.808.002
NSFR derivative liabilities		11.909.609	1.779.318	13.567.783	
All other liabilities and equity not included in the above categories	-	112.936.799	551.181	8.532.411	8.808.002
Total Available Stable Funding (ASF)					**582.789.802**
Required Stable Funding (RSF)					
Total NSFR high quality liquid assets (HQLA)					**6.871.542**
Deposits held at other financial institutions for operational purposes	**-**	**-**	**-**	**-**	**-**
Performing loans and securities (financial institutions, corporates and central banks)	**-**	**164.482.694**	**83.079.863**	**290.419.426**	**353.512.137**
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	1.575.934	643.471
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, of which:	-	140.129.205	66.055.326	205.153.486	277.549.302
With a risk weight of less than or equal to 35%, approach for credit risk, according to Circular 3,644.	-	-	-	-	-
Performing residential mortgages, of which:	-	1.400.172	1.389.227	56.421.015	39.704.724
In accordance to Circular 3,644, 2013, art. 22	-	1.197.128	1.187.770	48.239.193	32.547.924
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	22.953.317	15.635.310	27.268.991	35.614.640
Operations in which the institution acts exclusively as intermediary, not undertaking any rights or obligations, even if contingent	**-**	**80.460.969**	**-**	**-**	**-**
Other assets, in which:	**54.293.739**	**71.835.368**	**130.494**	**124.013.841**	**159.882.378**
Physical traded commodities, including gold	158.141				134.420
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties		-	-	16.201.698	13.771.443
NSFR derivative assets		-	-	29.468.194	3.373.760
NSFR derivative liabilities before deduction of variation margin posted		-	-	1.362.835	1.362.835
All other assets not included in the above categories	61.448.820	71.835.368	130.494	76.981.114	141.239.920
Off-balance sheet transactions		261.216.169	**-**	**-**	**7.154.794**
Total Required Stable Funding (RSF)					**527.420.851**
NSFR (%)					**110,5%**

Credit Risk

CRA: Qualitative Information on Credit Risk Management

Credit risk management is aligned with the Group' business strategy and model and considers both the best market practices and the recommendations of supervisory and regulatory bodies. It defines strategies according to the Risk Appetite, establishes limits, analyzes exposures and trends, as well as the effectiveness of the credit policy, ensuring the desired risk profile and adequate profitability, as defined by the Executive Committee (CE) and by the Board of Directors (CA).

Credit Risk management considers the client's characteristics, segregated between individualized clients (with dedicated analysts monitoring) and clients with similar characteristics (standardized):

- Individualized management is carried out by a defined risk analyst. The approval flow is determined by the Bank's Authority Letter (relevant analyst or Committee). Management covers clients in the following segments: Wholesale (Corporate and SCIB), Corporate Retail (Governments, Institutions, Universities, Individual and Corporate Agribusiness and companies) and Business Partner Entrepreneur Individuals;
- Standardized management is dedicated to individuals and companies not framed as individualized clients, uses automated models in decision-making and internal risk assessment, complemented by commercial scopes and teams of specialized analysts.

The risk classification applied by Banco Santander considers the conditions of the debtor and its guarantor, such as: financial condition, level of indebtedness, profit generation capacity (in case of Legal Entities), cash flow (in case of Legal Entities), salary credits (in case of Individuals), financial resources, account transactions, administration, corporate governance and quality of internal controls, payment history, activity sector, contingencies and credit limits of the debtor and/or guarantor. The characteristics of the transaction are also evaluated, such as: its nature and purpose, type, adequacy and degree of liquidity of the asset given as guarantee, and the total amount of credit.

There is an area responsible for managing the delinquent portfolio, with the function of defining, executing and monitoring the strategies and performances related to the delinquent client portfolios, ensuring maximum efficiency in credit recovery.

Statistical tools are applied in client behavior analysis, outlining more efficient recovery strategies. The actions of the collection channels are defined by the "Responsibility Map", a document that considers the time of default versus the risk value, in addition to other characteristics to compose the definition of strategies.

Credit risk monitoring and management is carried out independently from the other functions, providing adequate separation between the risk-generating areas and those responsible for control and supervision. It has sufficient authority and direct access to management and governance bodies that are responsible for establishing and overseeing the credit risk strategy and policies.

CR1: Credit Quality of Assets

R$ million						Dec-23
	Gross carrying values of		Allowances, Unearned Revenues and ECL accounting provision	Of which ECL accounting provisions for credit losses on standardised approach exposures	Of which ECL accounting provisions for credit losses on IRB exposures	Net values
	Defaulted exposures	*Non-defaulted exposures*				
Loans	34.754	478.579	35.375	35.375	-	477.958
Debt Securities	135	237.316	1.773	1.773	-	235.678
in which: Sovereigns	-	145.934	-	-	-	145.934
in which: Other Debts	135	91.382	1.773	1.773	-	89.744
Off-balance sheet exposures	-	237.921	550	550	-	237.371
Total	**34.889**	**953.816**	**37.699**	**37.699**	**-**	**951.006**

CR2: Changes in Stock of defaulted loans and debts securities

R$ million	Dec-23
Defaulted loans and debt securities at 06/30/2023	35.797
Loans and debt securities that have defaulted since the last reporting period	17.400
Amount returned to non-defaulted status	(13.578)
Amount written off	(10.306)
Other changes	5.576
Defaulted loans and debt securities at 12/31/2023	**34.889**

CRB: Additional disclosure related to the credit quality of assets

The following tables contain additional information about the credit quality of the exposures reported in table CR1.

Exposure by geographical area and by remaining maturity

R$ million					Dec-23
	Up to 6 months	6 to 12 months	1 to 5 years	Above 5 years	Total (Net)
Southeast	170.382	56.747	267.282	131.802	626.212
South	22.570	9.681	43.621	19.523	95.396
Midwest	11.295	5.642	23.377	12.872	53.187
North	4.172	2.088	10.903	6.660	23.823
Northeast	17.402	7.608	34.831	21.104	80.945
Foreign	17.819	12.527	41.861	1.945	74.152
Total Geographic Location	**243.640**	**94.293**	**421.874**	**193.907**	**953.715**

Exposure by industry and remaining maturity

R$ million					Dec-23
	Up to 6 months	6 to 12 months	1 to 5 years	Above 5 years	Total (Net)
Individuals	**89.917**	**33.027**	**174.822**	**139.745**	**437.511**
Public Sector	**38.457**	**11.683**	**75.355**	**33.154**	**158.648**
Private Sector	**115.266**	**49.582**	**171.698**	**21.008**	**357.555**
Agribusiness	5.821	3.931	5.452	226	15.430
Commerce	6.112	1.381	4.150	299	11.942
Food and Beverage	15.952	4.383	14.822	824	35.982
Transportation and Logistics	3.500	1.890	10.850	6.338	22.577
Automotive	9.117	3.206	4.550	304	17.176
Energy	3.677	3.950	12.950	1.260	21.838
Infrastructure Work	5.301	1.617	6.926	313	14.157
Services	6.795	2.013	6.624	576	16.007
Petrochemical and Chemical	8.866	3.559	7.558	120	20.103
Industry	730	198	1.049	61	2.038
Power Plants	1.449	1.339	3.567	63	6.419
Health Care	2.246	677	5.887	772	9.581
Textile and Clothing	2.862	1.307	3.679	202	8.049
Real Estate Agents	1.667	656	3.446	437	6.206
Steel and Metallurgy	3.678	1.917	7.482	81	13.157
Machinery and Equipment	5.618	1.501	5.249	419	12.787
Mining	3.159	4.520	1.963	16	9.659
Pharmaceuticals	3.004	1.629	4.261	811	9.706
Oil and Gas	5.393	791	6.540	150	12.874
Entertainment	1.981	528	2.632	299	5.440
Electronics	1.830	619	2.462	83	4.994
Holdings and Partnerships	2.957	3.705	16.915	1.263	24.840
Education	769	377	2.379	506	4.032
Financial Activities and Insurance	5.446	882	10.986	5.021	22.336
Information Technology	785	216	1.347	84	2.432
Telecommunications	2.002	149	4.234	45	6.429
Car Rental Companies	335	666	6.001	23	7.024
Pulp and Paper	623	61	2.253	175	3.111
Wood	673	251	1.267	27	2.218
Communication	1.035	212	1.186	64	2.498
Public Administration, Defense and Social Security	6	1	19	1	27
Hotels	195	35	578	27	835
Sewage	226	362	1.719	27	2.334
Cosmetics	748	32	257	13	1.049
Non-real estate rentals and management of non-financial intangible as	79	47	426	22	574
Others	630	976	31	58	1.695
Total Economic Sector	**243.640**	**94.293**	**421.874**	**193.907**	**953.715**

Defaulted exposures by geographical area

R$ million			Dec-23
	Defauted exposures		
	Exposure	Provisions	Write-off
Southeast	21.998	15.259	5.904
South	4.095	2.912	1.355
Midwest	2.404	1.743	822
North	1.256	914	415
Northeast	4.762	3.505	1.810
Foreign	373	174	-
Total Geographical Area	**34.889**	**24.508**	**10.306**

Defaulted exposures by industry

R$ million	Dec-23		
	Defaulted Exposures		
	Exposure	Provisions	Write-off
Individuals	**21.948**	**15.790**	**7.556**
Public Sector	**-**	**-**	**-**
Private Sector	**12.940**	**8.718**	**2.751**
Agribusiness	135	103	22
Commerce	3.190	2.176	205
Food and Beverage	2.345	1.718	482
Transportation and Logistics	2.093	834	133
Automotive	440	327	157
Energy	5	2	1
Infrastructure Work	697	530	273
Services	584	463	313
Petrochemical and Chemical	129	108	34
Industry	21	16	10
Power Plants	122	91	-
Health Care	340	193	64
Textile and Clothing	544	386	196
Real Estate Agents	178	134	58
Steel and Metallurgy	98	71	38
Machinery and Equipment	221	162	52
Mining	19	17	5
Pharmaceuticals	158	119	71
Oil and Gas	210	165	61
Entertainment	543	415	231
Electronics	198	166	98
Holdings and Partnerships	96	62	5
Education	141	114	34
Financial Activities and Insurance	36	24	14
Information Technology	44	35	17
Telecommunications	33	28	20
Car Rental Companies	31	23	14
Pulp and Paper	46	45	4
Wood	75	60	27
Communication	87	68	42
Public Administration, Defense and Social Security	-	-	1
Hotels	22	18	7
Sewage	20	15	11
Cosmetics	19	17	8
Non-real estate rentals and management of non-financial intangible	16	13	10
Others	2	1	33
Total Economic Sector	**34.889**	**24.508**	**10.306**

Overdue exposures

R$ million	Dec-23
Total overdue exposures	**51.400**
Less than 30 days	23.196
31 to 90 days	11.716
91 to 180 days	7.509
181 to 365 days	7.937
above 365 days	1.043

Largest debtors exposures

R$ million					Dec-23
	Gross carrying values of		Allowances, Unearned Revenues and ECL accounting provision	Net values	% Net value / Total
	Defaulted exposures	*Non- defaulted exposures*			
10 largest debtors	-	178.372	2	178.370	18,7%
100 largest debtors	4.986	286.915	4.475	287.427	30,1%

Restructured exposures

R$ million	Dec-23
Restructured Exposures	**19.829**
Defaulted exposures	18.133
Other	1.697

CRC: Information on Credit Risk Mitigating Instruments

Guarantees are defined as additional reinforcement measures for a credit operation, as mitigating credit risk in the face of loss due to non-compliance with the payment obligation, either due to the term of the operation and increased risk of deterioration of the client or due to the existence of possible, relevant, and unpredictable external events that may jeopardize the completion of the operation and that are difficult for the creditor to manage.

At Banco Santander, there is an area responsible for controlling and monitoring all guarantees, from contracting to settlement of the credit operation, providing the Institution with managerial and accounting information on them.

The evaluation of the guarantees considers conservative and appropriate criteria for the time horizon of the guaranteed operation, carried out through adequate processes for each type of guarantee that minimize the risk on its evaluation. The correct formalization of the credit operation and constitution of the guarantee is a necessary and indispensable premise, and every care must be taken to ensure that the guarantee is valid and fully effective. The possibility and viability of executing the guarantee and its liquidation are considered with special caution.

The value of the guarantee is monitored at least as often as allowed by the clause and always sufficiently in advance to request its replacement. Non-compliance with the obligation grants the entity the possibility of demanding the execution of the guarantee, as provided for in a formalized contract and in accordance with the provisions of the applicable regulations.

The guarantees are classified by:

- Personal guarantees: grant the creditor a right of a personal nature or a scope that is directed to the guarantor's own assets. This type of guarantee is always made by third parties other than the debtor, either in the credit agreement itself or in a separate agreement.

- Security interests: are constituted on assets (movable or immovable) or rights, concrete and determined that assure the creditor of the fulfillment of the principal obligation by binding an asset.

Banco Santander uses credit derivatives in order to manage counterparty risk and meet the demands of its clients, carrying out protection purchase and sale operations through credit default swaps and total return swaps, primarily related to bonds with Brazilian sovereign risk.

Total Return Swaps – TRS are credit derivatives where the return of the reference obligation is exchanged for a cash flow and where, upon the occurrence of a credit event, usually the protection buyer has the right to receive from the protection seller the equivalent to the difference between the updated value and the fair value (market value) of the reference obligation on the settlement date of the contract.

Credit Default Swaps – CDS are credit derivatives where, upon the occurrence of a credit event, the protection buyer has the right to receive from the protection seller the equivalent to the difference between the face value of the CDS contract and the fair value (market value) of the reference obligation on the settlement date of the contract. In return, the seller receives a remuneration for selling the protection.

CR3: Credit Risk mitigation techniques – overview

R$ million					Dec-23
	Unsecured Exposures	Secured Exposures	Exposures secured by		
			Collateral	*Financial Guarantees*	*Credit Derivatives*
Loans	441.928	36.023	6.577	29.446	-
Debt securities	226.988	8.690	8.690	-	-
Off-balance sheet exposures	65.462	5.048	1.527	3.521	-
Other Exposures	248.028	-	-	-	-
Total	**982.405**	**49.761**	**16.794**	**32.967**	**-**
Of which defaulted	**7.332**	**66**	**1**	**65**	**-**

CR4: Standardized Approach – Credit Risk exposure and credit risk mitigation effects

R$ million						**Dec-23**
	Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	On- balance sheet amount	*Off- balance sheet amount*	*On- balance sheet amount*	*Off- balance sheet amount*	*RWA*	*RWA density*
Sovereigns and their central banks	263.150	-	263.150	-	2.822	1%
Non-central government public sector entities	1.707	1	1.707	-	1.707	100%
Multilateral development banks	-	-	-	-	-	0%
Banks and other Financial Institutions authorized by Brazil Central Bank	92.721	13.019	92.721	10.216	34.018	33%
Covered bonds	-	-	-	-	-	0%
Corporate	218.506	74.809	218.506	43.548	209.015	80%
Of which: specialised lendings	-	-	-	-	-	0%
Of which: others	218.506	74.809	218.506	43.548	209.015	80%
Equity and subordinated debt	16.279	-	16.279	-	16.285	100%
Retail	228.295	148.326	228.295	16.188	168.308	69%
Real Estate	72.550	46	72.550	29	24.710	34%
Of which: exposures secured by residential real estate where repayment is not materially dependent on cash flows generated by property.	63.061	-	63.061	-	16.718	27%
Of which: exposures secured by residential real estate where repayment is materially dependent on cash flows generated by property.	-	-	-	-	-	0%
Of which: exposures secured by commercial real estate where repayment is not materially dependent on cash flows generated by property.	-	-	-	-	-	0%
Of which: exposures secured by commercial real estate where repayment is materially dependent on cash flows generated by property.	8.030	46	8.030	29	6.534	81%
Of which: Land acquisition, development and construction.	1.459	-	1.459	-	1.459	100%
Defaulted exposures	7.399	1	7.399	-	7.035	95%
Other assets	61.047	1.170	61.049	528	52.977	86%
Total	**961.654**	**237.372**	**961.656**	**70.510**	**516.877**	**50%**

CR5: Standardized Approach – exposures by asset classes and risk weights

R$ millions				**Dec-23**
Risk Weighted Assets (Risk Weighted Assets)	**Exposures accounted for in the balance sheet**	**Off-balance sheet exposures (before FCC)**	**Average FCC[1] (weighted by RWA)**	**Total credit exposures (after FCC and mitigation)**
Less than 40%	407.469	3.409	100%	409.236
40 - 70%	152.936	134.502	65%	187.140
75%	179.575	49.240	81%	184.899
80 - 85%	44.987	29.173	81%	60.092
90 - 100%	172.451	17.295	97%	183.514
105 - 130%	2.126	3.453	90%	5.029
150%	2.110	300	94%	2.256
250%	-	-	-	-
400%	-	-	-	-
1250%	-	-	-	-
Total Exposures	**961.654**	**237.372**	**86%**	**1.032.166**

[1]The weights are exposures not accounted for in the balance sheet, before the application of the respective FCC.

The complete table CR5 – Standardized approach – exposures by asset classes and risk weights, is available at: <https://www.santander.com.br/ri/gerenciamento-de-risco>.

Counterparty Credit Risk (CCR)

CCRA: Qualitative Disclosure Related to CCR

Below are the counterparty credit risk management policies and strategies as established in Resolution No. 4557, of 2017, including exposures to central counterparties (CCPs) and the results calculated in the period.

Counterparty credit risk arises from the possibility of non-compliance with obligations relating to operations carried out by a counterparty, and includes derivative operations, security lending, repurchase agreements, loans and operations to be settled. The exposure to this risk is measured using REC (credit equivalent risk) metric, which represents the potential exposure to a counterparty with 97,5% confidence. The potential exposure limits are approved in appropriate committees, the consumption of this limit and relevant variations are managed and the limit available for new operations before they are carried out is verified.

REC observes the operations in force with the counterparty and calculates the potential exposure based on specific models for each instrument and risk factor, as well as the diversification between these operations in the portfolio against the counterparty. The consumption of this metric can be mitigated by margin call procedures (and their periodicity), guarantees deposited by the counterparty and initial margin. REC methodologies and mitigating effects are approved by the validation team and their execution and procedures are subject to verification by internal and external audits.

Currently, Banco Santander does not calculate the impact of collateral that the Institution would be required to pledge in the event of a downgrade in its credit rating.

CCR1: Analysis of CCR exposures by approach

R$ million					Dec-23
	Replacement cost	Potential future exposure	Alpha used for computing regulatory EAD	EAD post mitigation	RWA
SA-CCR Approach	11.969	5.821	1,4	24.906	14.539
CEM Approach	N/A	N/A		N/A	N/A
Simple Approach for CCR mitigation (for SFTs and asset loans)				188.893	3.200
Comprehensive Approach for CCR mitigation (for SFTs and asset loans)				N/A	N/A
Total					**17.739**

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

R$ million	Risk weight (RW)									Dec-23
	0%	*10%*	*20%*	*50%*	*65%*	*85%*	*100%*	*150%*	*Outros*	**Total**
Sovereigns	89.383	-	-	-	-	-	-	-	-	89.383
Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-
Banks and other Financial Institutions authorized by Brazil Central Bank	22.873	-	3.047	-	-	-	-	59	14.587	40.565
Corporates	-	20.892	-	-	3.153	1.509	801	-	-	26.355
Other Counterparties	52.007	526	-	-	-	-	4.962	-	-	57.495
Total	**164.263**	**21.418**	**3.047**	**-**	**3.153**	**1.509**	**5.763**	**59**	**14.587**	**213.799**

CCR5: Composition of collateral for CCR exposures

R$ million	Collateral used in derivative transactions				Collateral used in SFTs and asset loans	Dec-23
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	*Unsegregated*	*Segregated*	*Unsegregated*	*Fair value of collateral received*	*Fair value of posted collateral*
Cash - domestic currency	-	-	-	-	40.741	91.887
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	5.747	-	15.781	-	88.744	34.820
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	21.427
Equity securities	798	-	-	-	-	-
Other collateral	2.761	-	1.112	-	3.851	-
Total	**9.306**	**-**	**16.893**	**-**	**133.336**	**148.134**

CCR6: CCR associated with credit derivatives exposures

R$ million		Dec-23
	Protection bought	**Protection sold**
Notionals		
Single-name credit default swaps	1.845	261
Index credit default swaps	-	-
Total return swaps	-	3.308
Total notionals	**1.845**	**3.569**
Fair values	**(111)**	**78**
Positive fair value (asset)	4	146
Negative fair value (liability)	(115)	(68)

CCR8: CCR associated with Exposures to central counterparties

R$ million	Dec-23	
	EAD (post-CRM)	RWA
Exposures to qualifying CCPs (QCCPs total)		**486**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	24.160	483
(i) over-the-counter (OTC) derivatives	-	-
(ii) Exchange-traded derivatives	24.160	483
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Financial collateral posted, except as variation margin, promptly returned to the institution, in the event of liquidation, bankruptcy or similar action of QCCPs	9.310	
Financial collateral posted, except as variation margin, that is not promptly returned to the institution, in the event of liquidation, bankruptcy or similar action of QCCPs	-	-
Pre-funded default fund contributions	23	3
Participation in a mutualized, contingent and future guarantee fund, which may be required by QCCPs	-	
Exposures to non-QCCPs (total)		**-**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) over-the-counter (OTC) derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Investment in contingent and future mutualized guarantee funds that may be required by QCCPs	-	
Financial collateral posted, 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	-	-
Pre-funded default fund contributions	-	-
Participation in a mutualized, contingent and future guarantee fund, which may be required by non-qualified CCPs	-	-

Securitization Exposures

The evaluation and execution of securitization operations by Santander Brazil Group is based on the guidelines established by the Central Bank of Brazil (BACEN) and the Securities Commission (CVM). The definitions of the main criteria related to the topic can be consulted in BCB Resolution nº 229/22 and the Circular nº 3848/17.

It is worth noting that the analysis of the viability of an operation takes into account the economic results, impacts on risks, capital and operations, among others.

Given the relevance of the topic, a securitization policy was created and approved in the appropriate instances, which establishes the governance applicable to the topic, the roles and responsibilities of the teams involved in the process.

SECA: Qualitative information on risk management of securitization exposures

The institution' securitization activity is segregated into:

- **Origination Position:** these are securitizations in which Banco Santander acts as originator, that is, the underlying assets of the operations are assets that are already on the Institution's balance sheet and may derive in traditional and synthetic securitization. Such segregation in classification is based on the assessment of the substantial transfer of risks of such assets. Further details regarding this measurement can be consulted in Resolution No. 3533.
- **Investor Position:** refers to operations in which Banco Santander acquires senior positions in securitization vehicles. For such operations, the risk profile of the portfolio, type of underlying asset, remuneration linked to the investment, among others, are evaluated.

SEC1: Securitization exposures in the banking book

R$ million									Dec-23
	Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
	Traditional	*Synthetic*	*Subtotal*	*Traditional*	*Synthetic*	*Subtotal*	*Traditional*	*Synthetic*	*Subtotal*
Retail (total) of which	-	-	-	-	-	-	-	-	-
residential mortgage	-	-	-	-	-	-	-	-	-
credit card	-	-	-	-	-	-	-	-	-
other retail exposures	-	-	-	-	-	-	-	-	-
re- securitisation	-	-	-	-	-	-	-	-	-
Wholesale (total) of which	-	**6.285**	**6.285**	-	-	-	**36**	-	**36**
loans to corporates	-	-	-	-	-	-	36	-	36
commercial mortgage	-	-	-	-	-	-	-	-	-
lease and receivables	-	6.285	6.285	-	-	-	-	-	-
other wholesale	-	-	-	-	-	-	-	-	-
re- securitisation	-	-	-	-	-	-	-	-	-

SEC2: Exposures of Securitization classified in the trading book

Currently, Banco Santander has no exposures to be reported in table SEC2.

SEC3: Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

R$ million | Dec-23

	Exposure values (by risk weight bands)					Exposure Values		RWA		Capital Requirements	
	≤ 20%	20% < FPR < 50%	50% ≤ FPR < 100%	100% ≤ FPR <1250%	1250%	Standardized approach	1250%	Standardized approach	1250%	Standardized approach	1250%
Total exposures	**705**	**5.496**	**-**	**-**	**83**	**6.202**	**83**	**2.053**	**1.041**	**164**	**83**
Traditional securitisation	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	-	-	-	-	-	-	-	-	-
Of which re- securitisation	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	705	5.496	-	-	83	6.202	83	2.053	1.041	164	83
Of which securitisation	705	5.496	-	-	83	6.202	83	2.053	1.041	164	83
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	705	5.496	-	-	83	6.202	83	2.053	1.041	164	83
Of which re- securitisation	-	-	-	-	-	-	-	-	-	-	-

SEC4: Securitization exposures in the banking book and associated capital requirements – bank acting as investor

R$ million | Dec-23

	Exposure values (by risk weight bands)					Exposure Values		RWA		Capital Requirements	
	≤ 20%	20% < FPR < 50%	50% ≤ FPR < 100%	100% ≤ FPR <1250%	1250%	Standardized approach	1250%	Standardized approach	1250%	Standardized approach	1250%
Total exposures	**-**	**36**	**-**	**-**	**-**	**36**	**-**	**9**	**-**	**1**	**-**
Traditional securitisation	-	36	-	-	-	36	-	9	-	1	-
Of which securitisation	-	36	-	-	-	36	-	9	-	1	-
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	36	-	-	-	36	-	9	-	1	-
Of which re- securitisation	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	-	-	-	-	-	-	-	-	-
Of which re- securitisation	-	-	-	-	-	-	-	-	-	-	-

Market Risk

Market risk is exposure to risk factors, such as: interest rates, exchange rates, commodity prices, stock market prices and other factors, depending on the type of product, amount of operations, term, the conditions of the contract and the underlying volatility.

MRA: Qualitative Information on Market Risk Management

Market risk is defined as the risk incurred as a result of the effects of changes in market factors (interest rates, exchange rates, shares and commodities, among others), which may reflect in gains and losses.

Market risk can affect both the trading book and the banking book.

In the case of trading book activity, both the offering of financial services in markets for clients (in which the entity is the counterparty), as well as buying and selling activities in interest rate products, shares, currencies and commodities are included.

The banking book (non-trading) is defined as the risk incurred due to changes in market factors that affect positions, whose value variations are recognized in gains and losses or reserves and, therefore, impact regulatory capital ratios.

Banco Santander ensures the effective control of market risks and ensures management in accordance with the defined appetite level. The work together with the business areas ensures that the inherent market risks have been duly identified, assessed and correctly managed.

The Bank has an institutional policy, which seeks to define the principles to be followed in the admission, control, consolidation and reporting of market risk. In addition, it addresses the functional and governance aspects, the main associated processes and the instruments that allow for their proper development and implementation.

The purpose of controlling and monitoring market risk is to cover all possible sources of risk. Therefore, it considers the risk exposure and sensitivity, given the economic environment, the business model or a combination of both.

The setting of limits aims to efficiently comply with the market risk levels that the Institution is willing to accept. Such limits are defined in accordance with the Risk Appetite, which is established by the Board of Directors, based on the capacity of managers, the infrastructure available for management, the control environment, product knowledge, timely information and robustness of the models.

Annually, the proposed limits and alerts for the Risk Appetite metrics are reviewed. Details of the annual processes for setting and approving limits are contained in an internal corporate procedure for "Approval and Control of the Risk Appetite Statement (RAS)", which belongs to the document tree of the risk appetite function.

To measure and assess market risk, the following metrics are analyzed:

- Positions: such as exchange rates, equities, fixed income, interest rates, commodities;
- Sensitivities: Interest rates on fixed income and options (delta, gamma, vega, theta and rho);
- VaR and Stressed VaR;
- Valuation adjustments (XVA, FVA and AVA); and
- Simulations and stress tests.

The results obtained through these metrics are presented in different local and corporate governance forums, with the aim of monitoring the evolution of market risks.

Market risk management is managed at corporate level, through the Board Risk Committee, Risk Control Committee, Executive Risk Committee, Market Risk Control Forum and Risk Proposal Forum, without prejudice to compliance with the applicable general corporate regulations.

MR1: Market risk under standardized approach[1]

R$ million	Dec-23	Sep-23
Interest Rates	27.237	27.222
Fixed rate denominated in reais (RWAJUR1)	11.203	12.247
Foreign exchange linked interest rate (RWAJUR2)	4.757	5.075
Price index linked interest rate (RWAJUR3)	11.230	9.851
Other linked interest rate (RWAJUR4)	47	50
Stock prices (RWAACS)	587	498
Exchange rate (RWACAM)	1.386	664
Commodity prices (RWACOM)	330	575
Total	**29.540**	**28.959**

[1] Does not include the RWACVA portion, which in 4Q23 was R$9.4 billion.

Following BCB Resolution No. 111/21, there was no reclassification between the trading and non-trading portfolios in the quarter.

MRB: Qualitative Information on Market Risk in Approaching Internal Models

The models of VaR and stressed VaR cover the financial activities of the Institution's trading book in shares, interest, foreign exchange, credit spread and commodities market risks, both for linear and non-linear products.

Below is a list of institutions that are part of the prudential conglomerate of Banco Santander that use an internal market risk model for the trading book:

- BANCO SANTANDER (BRASIL) S.A.;
- Santander FI UNIX Multimercado Crédito Privado;
- Santander FI Diamantina Multimercado Crédito Privado Investimento no Exterior;
- Santander FI Hedge Strategy Fund;
- Santander FI Amazonas Multimercado Crédito Privado Investimento no Exterior; and
- Santander FI Guarujá Multimercado Crédito Privado Investimento no Exterior.

It is important to point out that Banco Santander comprises the Cayman and Luxembourg branches.

To calculate the VaR model, a historical simulation of 521 days is used, with a confidence level of 99% and a time horizon of one day. The methodology is based on historical simulation and is calculated by complete revaluation. To reflect recent market volatility in the model, the VaR value is the maximum between 1.0% percentage and 1.0% weighted percentage of the simulated P&L vector distribution, to which the first applies the same weight for all observations and the second applies an exponential reduction factor, giving greater weight to the most recent observations. This methodology makes VaR react quickly to market volatility, reducing the likelihood of backtesting exceptions.

To calculate the SVaR model, the calculation methodology is the same as that applied to VaR, with two differences: (i) historical period of observation of risk factors: Stress VaR uses a window of 260 days, instead of 521 days as in VaR; (ii) to obtain the Stress VaR, unlike when the VaR is calculated from the maximum between the uniformly distributed percentage and the one with exponential decay, the decay is not used, the uniformly distributed percentage being directly applied.

All other aspects regarding the methodology and inputs necessary for calculating Stress VaR are the same as those used for VaR. Regarding the definition of the observation period, the market risk team analyzes the history of a series of market risk factors, which are chosen based on technical criteria and considering the most relevant positions in the portfolio.

Adherence tests are performed using 251-day and 521-day windows, applying proportion and independence tests.

MR2: RWA flow statement of market risk under an IMA

R$ million				Dec-23
	VaR	Stressed VaR	Others	Total RWA_{MINT}
RWAMINT at 09/30/2023	4.042	9.754	-	13.796
Movement in risk levels	(157)	(953)	-	(1.110)
Updates/changes to the internal model	-	-	-	-
Methodology and regulation	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	10	23	-	33
Other	-	-	-	-
RWAMINT at 12/31/2023	**3.895**	**8.824**	**-**	**12.719**

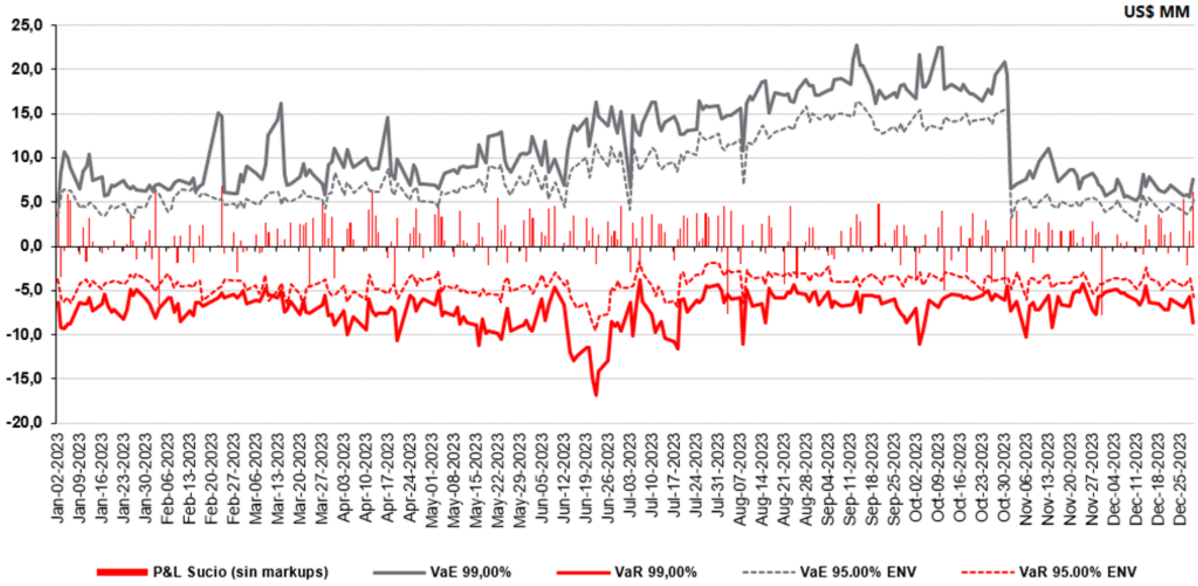
Following resolution 111 of the Central Bank of Brazil, in the quarter in question there was no reclassification between the trading and non-trading portfolios.

MR3: IMA values for trading portfolios

R$ million	Dec-23	Sep-23
VaR (10 days, 99%)		
Maximum value	178	177
Average value	99	101
Minimum value	66	59
Quarter end	97	113
Stressed VaR (10 days, 99%)		
Maximum value	310	396
Average value	221	244
Minimum value	148	135
Quarter end	299	170

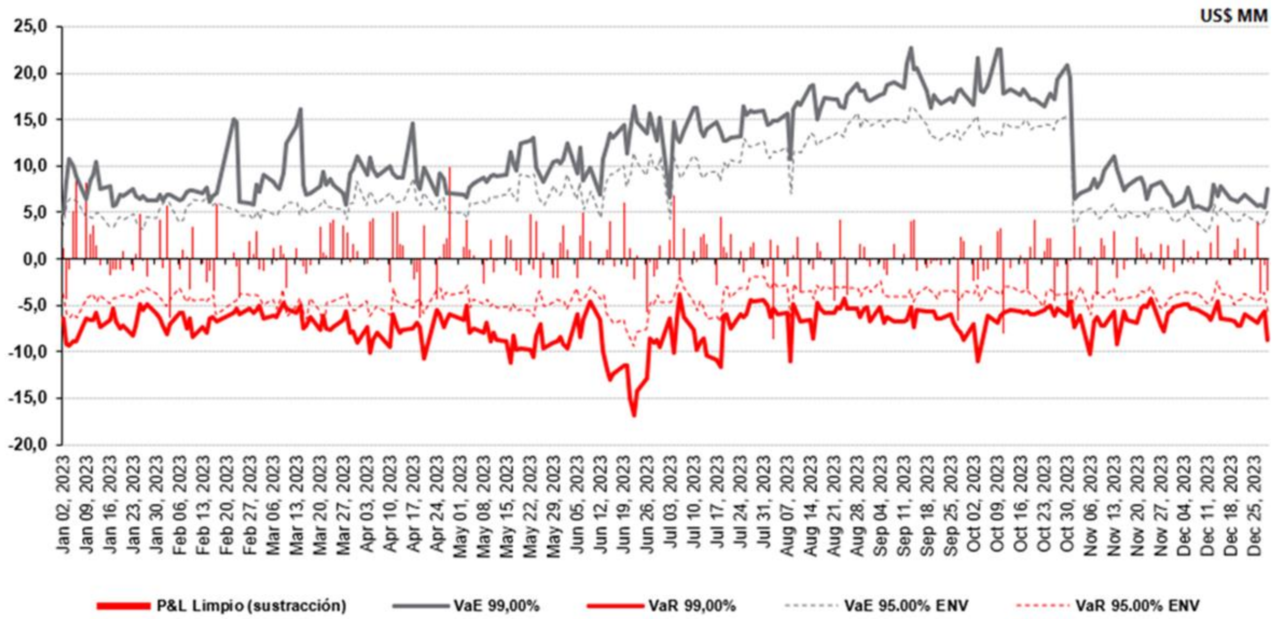
MR4: Comparison of VaR estimates with gains/losses

The following chart shows the adherence in relation to the effective results for the period:



Exceptions for the confidence level VaR/VaE: 99%			Dec-23
Date	**P&L**	**VaR-VaE**	**Cause of Exception**
08/03/2023	(7,6)	(5,4)	Excess due to the decision of the Copom.
11/30/2023	(7,8)	(5,6)	Excess due to valuation adjustments.

The following chart shows the adherence in relation to the hypothetic results for the period:



Exceptions of confidence level VaR/VaE: 99%			Dec-23
Date	**P&L**	**VaR-VaE**	**Cause of Exception**
01/06/2023	9,5	8,9	Excess VaE caused by the USD/BRL exchange rate variation.
04/28/2023	9,9	7,1	Excess VaR caused by the variation of future interest rate and
08/03/2023	(8,7)	(5,4)	Excess due to the decision of the Copom.
10/11/2023	(8,0)	(5,8)	Excess due to the opening of future interest rate curves and inflation

OPD: Total Exposure associated with Derivatives

R$ million	Dec-23		Sep-23	
	Long	**Short**	**Long**	**Short**
Onshore				
With Central Counterparty				
Equities[1]	149	(214)	97	(31)
Foreign Exchange[2]	40.014	(454)	42.481	(263)
Interest Rates[3]	34	(17)	27	(23)
Commodities [4]	54	(24)	8	(31)
Without Central Counterparty				
Equities[1]	2.356	(3.045)	1.579	(2.450)
Foreign Exchange[2]	152.921	(188.426)	112.075	(154.846)
Interest Rates[3]	29.983	(29.989)	30.371	(30.376)
Commodities [4]	11.684	(11.712)	6.368	(6.340)
Offshore				
With Central Counterparty				
Equities[1]	955	(146)	716	(265)
Foreign Exchange[2]	16	(1)	5	-
Interest Rates[3]	-	-	-	(1)
Commodities [4]	280	(4.422)	24	(5.626)
Without Central Counterparty				
Equities[1]	2.745	(3.730)	2.747	(3.495)
Foreign Exchange[2]	110.609	(119.368)	107.558	(120.061)
Interest Rates[3]	2	(2)	6	(4)
Commodities [4]	5.205	(1.016)	12.649	(7.025)

Only positions classified as "Trading" are included.

[1] The numbers represent the sensitivity to a +1% equity shock.

[2] The numbers represent the sensitivity to a +1% shock on foreign exchange;

[3] The numbers represent the sensitivity to a +10bps shock in interest rates;

[4] The numbers represent the sensitivity to a +1% shock to commodity prices.

Risk of Variation of Interest Rates in Classified Instruments in the Banking Book (IRRBB)

IRRBBA: Qualitative Information on IRRBB Management

The Institution defines the Risk of interest rates on instruments classified in the non-trading book (Interest Rate Risk Banking Book, hereinafter IRRBB) as that derived from losses incurred as a result of the impact both on the financial margin and on the equity structure of the Institution caused by the movements of interest rates. This refers to the Group's financial and economic exposure to movements in interest rates that may have repercussions on loss of profitability and book value.

Banco Santander monitors the sensitivity of the net interest margin (financial margin) and equity value in relation to changes in interest rates. This sensitivity arises from the lag between the maturity and interest rate review dates of the different balance sheet elements.

Based on the position of interest rates on the balance sheet and considering market perspectives, financial measures are taken to align this position with the Institution's objective. These measures are carried out in accordance with the Institution's management strategy, ranging from taking positions in the markets to changing the definition of interest rates on commercial products.

The measures used by Banco Santander to control risk or exposure to interest rates in these activities are the interest rate gap (repricing gap), the sensitivity of the financial margin (ΔNIM) and the sensitivity of the equity value (ΔMVE) to changes in levels of interest rates.

Asset and Liability Interest Rate Gap

Interest rate gap analysis monitors mismatches between the revaluation periods of on-balance sheet items (assets and liabilities) and off-balance sheet items. This analysis facilitates the basic representation of the structure of the balance sheet and allows the detection of interest rate risk concentrations in different maturities. Additionally, it is considered a useful tool to estimate the possible impact of eventual variations in interest rates on the financial margin and on the equity value of the Institution.

All items, on or off-balance sheet, should be classified by flows and reorganized by repricing point and maturity. When there is no contract maturity, an internal model for analysis and estimation of its duration and sensitivity will be used, such as the model for estimating the outflow of Deposits without Maturity and their respective reserve requirements, Savings, Demand Deposits and Term Deposits (which, despite having contractual maturity, for the most part have daily liquidity).

The methodology for estimating the cash flow of these Liabilities basically consists of the historical analysis of the behavior of each of the products. Based on historical data, variables such as average and volatility are verified, and then cash outflows between one day and twenty years are determined, with the statistical parameters adjusted so that one-day outflows reflect possible market instabilities, for the sake of conservatism. Based on this cash flow estimate, the sensitivity of changes in interest rates is calculated, considering the respective indexes and options in the calculations. In addition to estimating the cash flow of Liabilities without Maturity, methodological studies are also applied to Credits that aim to estimate a more reliable behavior of the portfolio's cash flow.

Prepayment and Default studies are:

- **Pre-Payment:** The prepayment event originates from the act of settling a credit operation before its contractual maturity (settlement of the operation as a whole and not the advance of one or more installments). The modeling of this early settlement aims at projecting a cash flow that is more consistent with the reality of the products and measuring the margin risk generated in the reinvestment of these prepaid amounts. The prepayment anticipates the flows of receivables from the credit portfolio, reducing its duration and, consequently, reflecting on risk measurements. To calculate the Prepayment index, the percentage of all settlements carried out that were not foreseen for the month in question is evaluated. Based on the history of these observations, the Prepayment index per product is derived;

- **Default:** Default is an intrinsic characteristic of retail bank loan products and, therefore, must be considered whenever a new credit grant is approved. Therefore, estimating the volume of money that will not be returned is also a necessary adjustment in the activity of controlling the interest rate risk of the banking book. The methodology itself is a predictive algorithm based on default history, which aims to determine which portion is owed to the B and which will no longer be received due to bad debtors. Thus, it is expected that the future behavior of borrowers can be inferred from past observations. The cash flow amount is adjusted so that the sensitivity measures are more faithful to the real behavior of the portfolio.

Net Interest Margin (NIM)

The sensitivity of the financial margin measures the variation in the amounts receivable expected for a specific horizon (12 months) when there is a shift in the interest rate curve.

The calculation of the financial margin sensitivity is done by simulating the margin in a scenario of variations in the rate curve and in the current scenario. Sensitivity is the difference between the two calculated margins.

Market Value of Equity (MVE)

The equity value sensitivity is a complementary measure to the net interest margin. It measures the interest risk implicit in equity value, based on the effect of changes in interest rates on the present values of financial assets and liabilities.

Structural risk of Foreign Exchange and Shares and Hedging of Results

These activities are monitored by measuring positions and results.

Complementary Measures

Test and Calibration Measurements

The backtesting consists of a comparative analysis between the Value at Risk (VaR) estimates and the "clean" daily results (result of the portfolios at the close of the previous day, evaluated at the prices of the following day). The purpose of these tests is to verify and provide a measure of the accuracy of the models used in the VaR calculation.

The backtesting analysis carried out by Banco Santander comply, at least, with the BIS recommendations regarding the verification of the internal systems used in the measurement and management of financial risks. In addition, the effectiveness of the VaR model is proven by the adherence test, through the comparison of hypothetical and effective daily losses and gains, with the estimated daily VaR, in accordance with Circular Letter No. 3646 of 2013. The Institution also performs tests of hypotheses, excesses, normality, Spearman correlation, average excess measures, among other metrics that help in the evaluation.

The evaluation models are regularly calibrated and tested by a specialized unit.

Methodology

The methodologies below are applied as a way to adjust the balance sheet cash flows and thus consider their impacts on the exposure of structural risks:

- **Advance payment of credits:** The prepayment event is defined as the full payment of a loan before its due date. This event generates a risk of financial loss for the Institution due to a possible mismatch between assets and liabilities generated by the prepayment. Periodic studies are carried out, according to specific methodologies, to determine (i) which products should be studied and (ii) the prepayment index that should be applied to each one of them.
- **Accounts without contractual maturity:** To estimate the sensitivity of account balances with no contractual maturity, certain assumptions are made, and the stable and unstable components of these deposits are segmented.

Control System: Definition of Limits

The limit setting process is performed jointly with the budgeting activity. It is a minimally annual process that responds to the level of risk considered acceptable by the strategic objective defined by the Institution, including the Executive Committee.

The limits tool is also used to establish the assets and liabilities available for each business activity and its structure consists of developing a process that considers, among others, the following aspects:

- Identify and delimit, in an efficient and comprehensive way, the main types of financial risks generated, so that they are consistent with the management of the business and with the defined strategy;
- Quantify and communicate to the business areas which risk levels and profiles are considered acceptable by the Institution, in order to avoid unwanted risks;
- Give the business areas flexibility to assume financial risks in an efficient and timely manner, due to changes in the market and business strategies, and always within the risk levels considered acceptable by the Institution;
- Allow business generators to assume risks in a prudent and sufficient volume to reach budgeted results;
- Delimit the range of products and underlyings in which each Treasury unit can operate, considering characteristics such as valuation models and systems, liquidity of the instruments involved, etc.

IRRBB1: Quantitative information on IRRBB

R$ million	Dec-23	Dec-22	Dec-23	Dec-22
Scenarios	**Δ EVE**		**Δ NII**	
Parallel Up	8.926	8.680	2.905	3.565
Parallel Down	(7.050)	(7.376)	(2.905)	(3.565)
Short rate Up	8.042	7.903		
Short rate Down	(9.355)	(8.465)		
Steepener	(4.151)	(3.810)		
Flattener	6.443	5.952		
Maximum	8.926	8.680	2.905	3.565

	Dec-23	Dec-22
Tier I	**81.259**	**75.944**

Management Compensation

Banco Santander, in accordance with current regulations, has a remuneration policy whose purpose is to establish the remuneration criteria for the members of the Board of Directors, the Executive Board and other employees, aiming the compatibility with risk management, so as not to encourage behaviors that increase risk exposure above the levels considered prudent in short, medium and long-term strategies.

The norms and rules that make up this compensation policy are in line with applicable regulations:

- National Monetary Council Resolution No. 3921, of 11/25/2010;
- Central Bank of Brazil Resolution No. 4879 of 12/23/2020;
- Central Bank of Brazil Resolution No. 4595 of 08/28/2017;

European Regulation 'Capital Requirements Directive – V', which came into force with Delegated Regulation (EU) 2021/923, of 03/25/2021, complementing the Capital Requirements Directive – IV regulation, of January 2014.

REMA: Compensation Policy

Compensation Committee

In compliance with CMN Resolution No. 3.921/2010, of November 25, 2010, on February 7, 2012, the shareholders of Banco Santander established the Compensation Committee in the Company's Bylaws, which also acts as the Compensation Committee for all Company's affiliates and subsidiaries.

The members of the remuneration committee may be elected by the board of directors, provided they meet certain independence requirements. All members of our compensation committee meet these independence requirements.

The Company's Bylaws requires that the Compensation Committee is composed of 3 to 5 members, appointed by the Board of Directors, selecting people who meet the legal and regulatory conditions required for the exercise of the position. At least one of the members may not be an executive officer and the others may or may not be members of the Company's Board of Directors, and at least two members must be independent.

The Compensation Committee must prioritize in its composition members with the necessary qualifications and experience to exercise competent and independent judgment on the Institution's compensation policy, including on the repercussions of this policy on risk management. The members of the Compensation Committee will have a term of office of 2 years, reelection being allowed for up to 4 consecutive times, under the terms of the applicable legislation.

The Internal Regulation of the Compensation Committee was approved at the Board of Directors' Meeting held on February 22, 2017. The said document may be consulted by shareholders through the websites: <www.santander.com.br/ri>, in the section "Corporate Governance – Management Board – Compensation Committee".

Compensation Structure

The main attributions of the Compensation Committee are:

- Evaluate and propose to the Board of Directors compensation policies for the Institution's managers, covering the various forms of fixed and variable compensation, in addition to benefits and special programs for recruitment and dismissal, taking into account the alignment of the interests of the members of the management and the shareholders, the rules applicable to the Company, the attractiveness and retention of talent and the sustainability of the Company's results;
- Supervise the implementation and operationalization of the Remuneration Policy, as well as the provisions of the applicable legislation;
- Review the Compensation Policy annually, recommending its correction or improvement to the Board of Directors, when necessary;
- Propose to the Board of Directors the amount of the global compensation of the administrators to be submitted to the general meeting, pursuant to art. 152 of Law No. 6404 of 1976;
- Ensure that the management compensation policy is permanently compatible with the risk management policy, with the goals and the current and expected financial situation of the Institution and with the provisions of Resolution No. 3921/10;
- Annually prepare the Remuneration Committee Report in compliance with the applicable legal and regulatory provisions, in relation to the base date of December 31 of each year.

Below are the criteria for fixed compensation, benefits and variable compensation for all Santander employees:

Members of the Board of Directors and Independent Members of the Advisory Committees

All members of the Board of Directors and independent members of the Advisory Committees are entitled to a fixed compensation consisting of monthly fees and, only in the case of Members of the Board of Directors, benefits. In exceptional and fully justified cases, the Chairman of the Board of Directors may also receive an annual variable remuneration for his/her functions performed, upon resolution of the Remuneration Committee and the Board of Directors, and always within the global limit of the annual remuneration approved at the Ordinary General Meeting.

Management and Employees

All employees and managers are entitled to a fixed compensation consisting of monthly payments, benefits and pension. In the case of directors, always within the overall limit of the annual compensation approved at the annual general meeting.

Banco Santander Management and Employees compensation structure have as principles:

- Be aligned with the interests of shareholders, create long-term value and be compatible with adequate, rigorous risk management and with long-term strategy, values and interests, as well as maintaining a solid capital base;
- Fixed compensation must represent a significant proportion of total compensation;
- The purpose of variable compensation is to reward performance based on the evaluation of agreed objectives in accordance with the role and responsibilities of employees and managers, and with adherence to behaviors and conduct that reflect the Group's culture;

- The compensation structure applied must be competitive, in a way that facilitates the attraction and retention of employees and managers;
- The practices established in the policy seek to recognize individual and collective performance and are not differentiated or privileged by ethnicity, race, gender or any personal issue.

Definition of Compensation Considering Current and Future Risks

All long-term and deferred incentive plans are subject to Malus / Clawback application, i.e. the Company's Board of Directors, on the recommendation of the Compensation Committee and, after evaluation by the Malus / Clawback Committee, may approve reducing up to 100% of the value of each participant in cases previously approved by Internal Governance, with the special objective of mitigating failures in risk management or non-compliance with internal rules and codes of conduct.

As from 2023, we have included in our remuneration policy a clause for the application of Clawback, specifically to the public of Banco Santanders' Administrators (Executives subject to this policy), in cases of reformulation of financial statements as a result of material failure to comply with financial reporting requirements under the United States federal securities laws as an American Depositary Receipt company listed on the New York Stock Exchange (NYSE) in accordance with the requirements of Section 10D of the Exchange Act and Section 303A.14 of the Manual Listing Rules for Companies with shares traded on the NYSE (the Listing Rule).

Correlation between Performance Assessment and Compensation

Banco Santander has specific Variable Compensation programs for commercial areas with a sales force that measure short and medium-term results. Each program has regulations designed in accordance with the Business strategy and respective segment, approved by the established governance, with the participation of the Compliance, Human Resources, Finance and Strategy areas. Payment is made monthly, semi-annually or annually.

The support areas, on the other hand, have an Annual Variable Remuneration program, which includes the members of the Executive Board, whose objective is to recognize, through meritocracy, the best performances in the Organization. This program takes into account the following criteria:

- Individual performance: measured through the institutional performance assessment tool and includes quantitative and qualitative indicators. The period for contracting targets is carried out at the beginning of the year, with the half-yearly review and assignment of a performance grade at the end of the year;
- Business unit performance: measured through an institutional assessment tool and reflects the area's challenges during the year. Its indicators and targets are approved by the Executive Committee and monitored monthly by the Finance Vice-Presidency;
- The Institution's performance as a whole.

The Internal Control and Risk Management areas follow the same remuneration policy as the other areas of Banco Santander, and the performance indicators used to determine the result are indicators of the areas themselves, having no relation to the performance of the business areas, so as not to generate conflicts of interest. The Audit Director's evaluation is carried out by the Board of Directors.

The goals of the Audit team and the Compliance team are exclusively determined by the performance of the areas and individuals that comprise them, in relation to the goals established for each one and for the team. None of these goals will be related to the performance of the business areas or the Company as a whole, ensuring that there will be no conflict of interest. The Internal Audit Director, as well as the Compliance Director, have their targets reviewed and approved by the Compensation Committee.

To ensure correct control and thus promote the conduct and behavior of a responsible Institution, the commercial teams eligible for specific programs and all employees and managers in control areas such as Risks, Auditing, Compliance, Controllership and Management Control have a ceiling of annual variable remuneration, corresponding to 100% of the annual fixed remuneration received (including benefits and pension plan).

REM1: Remuneration awarded during the financial year

R$ million		Dec-23
	Board of Officers	**Board of Directors**
Fixed remuneration		
Number of employees	84	7
Total fixed remuneration	**179**	**12**
Of which: cash-based	109	12
Of which: shares or other share-linked instruments	-	-
Of which: other forms	70	-
Variable remuneration		
Number of employees	80	-
Total variable remuneration	**229**	**-**
Of which: cash-based	113	-
Of which: deferred	44	-
Of which: shares or other share-linked instruments	114	-
Of which: deferred	52	-
Of which: other forms	1	-
Of which: deferred	1	-
Total remuneration	**408**	**12**

REM2: Extraordinary Payments

Due to the small number of cases, the disclosure required may reveal the amounts paid to a determinate executive, violating the confidentiality of personal information. Thus, REM2 table will not be published, preserving the employee-financial institution confidentiality clauses, as set forth for in BCB Resolution No. 54 of December 16, 2020, in its article 3, § 4.

REM3: Deferred remuneration

R$ million					Dec-23
	Total amount of outstanding deferred remuneration	**Of which: Total deferred amount subject to implicit and explicit adjustments**	**Total amount of amendment during the year due to ex post implicit adjustment**	**Total amount of amendment during the year due to ex post implicit adjustment**	**Total amount of deferred remuneration paid out in the financial year**
Board of Officers					
Cash	71	71	-	8	27
Shares	-	-	-	-	-
Share-linked instruments	76	76	-	1	19
Other	1	-	-	-	-
Board of Directors					
Cash	19	19	-	2	7
Shares	-	-	-	-	-
Share-linked instruments	20	20	-	-	6
Other	-	-	-	-	-
Total	**187**	**185**	**-**	**11**	**60**

Other Risks

Concentration Risk

Exposures may arise within or between different risk categories throughout the Institution with the potential to generate: (i) losses large enough to threaten the Institution's health or affect the ability to maintain the main operations; or (ii) change the Institution's risk profile.

Concentration risk is an essential factor in credit risk management and is therefore continuously monitored. Aspects such as economic sector, concentration of risk in certain groups of customers and products are evaluated monthly as part of the Risk Appetite exercise.

This risk originates from the imperfect diversification of credit portfolios and may derive from "individual concentration" (incomplete diversification of the borrower's idiosyncratic risk) and "sector concentration" (existence of multiple systematic risk factors, generally related to sectors of the economy and other sources such as origin, geographic location or macroeconomic factors).

The Institution's Risk Area works together with the Business Areas in the management of credit portfolios,including the use of various techniques to reduce the concentration of exposures, including the maintenance of derivatives for protection purposes (hedge) or the execution of securitization transactions to optimize the risk/return ratio of the portfolio. The policies adopted that determine the exposure limits required for the proper management of the portfolio's credit risk concentration are defined in the Executive Risk Committee.

Social, Environmental and Climate Risks

In order to build a safe and responsible business, Banco Santander permanently manages the risks that involve its activity and that may have an impact on the Organization, shareholders, customers, society and environment.

In this sense, Banco Santander manages social, environmental and climate risks (RSAC), which are defined as the possibility of losses for the Institution caused by events associated with the violation of fundamental rights and guarantees, degradation of the environment, extreme environmental events or long-term risks related to climate change, and those arising from the transition to a low-carbon economy.

Santander recognizes the existence of social, environmental and climate risks as components of the other risks managed by the Organization. In this way, the Institution identifies, monitors and manages the impacts resulting from the risks: credit, operational, market, liquidity, structural, Compliance and reputational. For the coordination and an integrated view of the interrelationships between risks, Santander has a dedicated team which aim at ensuring that all risks are adequately treated, guaranteeing regular monitoring, evaluation and governance reporting stablished.

The Institution has been active in the assessment of socio-environmental risk since 2002. Initially, its main focus was on the credit granting process, being a pioneer in assessing the compliance of its customers' actions, aiming to ensure that the conduct adopted was in accordance with the standards and guidelines provided by the Institution. In 2009, it became a signatory of the Equator Principles, a set of guidelines to mitigate socio-environmental risks in the financing of large projects (project finance). As of 2020, the assessment of clients' exposure to water stress, and their dependence on this resource, began to incorporate the analysis conducted by the Institution. The assessments carried out may result in the establishment of conditions, restrictions or prohibitions for companies to operate with the Institution.

In 2022, the Bank implemented additional aspects on climate risk in its clients' RSAC classification, in addition to generating a specific rating for each type of risk (i.e., a rating for environmental risk, for social risk and for climate risk). The assessments carried out may result in the establishment of conditions, restrictions or even prohibitions for companies to operate with the Bank.

Aligned with risk management, the Institution has the Social, Environmental and Climate Responsibility Policy (PRSAC) which establishes guidelines and consolidates specific policies for social, environmental and climate practices in business and in the relationship with stakeholders, in addition to specific policies that address social, environmental and climate risk. Therefore, Santander has dedicated structures to combine its social, environmental and climate responsibility with its business, in addition to managing the risks incurred, as shown below:

- Sustainability, which works towards a positive agenda in the identification of climate, social and environmental changes, affirmative actions and compliance with initiatives by independent entities;
- Socio-environmental Risk, which operationalizes the analyzes and controls, in addition to participating in the decision-making process for granting credit within its scope and perimeter defined in internal policy;
- Integrated Risk Management, which is responsible for the Institution's risk appetite, monitors risks in terms of transversality and their impacts, promoting reporting governance not only in executive spheres, but also with the Board of Directors.
- ESG Risk: Area that has a transversal view of the ESG theme in Risks in the South American units, providing the corporation with information and coordinating strategic projects related to ESG from a risk perspective. Additionally, it disseminates best practices between countries.
- Sustainable Business: its function is to structure and originate businesses that support customers' transition journey to a more sustainable and low-carbon economy, with transversal operations in all of the Bank's segments and businesses.
- Management Control – Sustainable Finance: responsible for creating financial reports regarding Sustainable Finance operations, in accordance with the Sustainable Finance Classification System (SFCS), in addition to monitoring financial and non-financial KPIs related to the social, environmental and climate agenda.

The management structure is in line with compliance with CMN Resolutions No. 4943 and No. 4945 that came into force in July/2022, determining that organizations have a more accurate view at the management of risks associated with social, environmental and climate issues, in addition to a Social, Environmental and Climate Responsibility Policy (PRSAC).

Operational Risk

The Operational Risks and Internal Controls area, which reports to the Executive Vice-Presidency of Risks, operates independently and has guidelines, policies and processes to ensure the implementation and adequacy of the Operational Risk Control and Management Model.

The area adopts the definition of the Basel Committee and the Central Bank of Brazil for Operational Risk as the possibility of losses resulting from inadequacy or failure in processes, people, systems or external events.

This definition includes the legal risk associated with the inadequacy or deficiency in contracts signed by the Institution, as well as sanctions due to non-compliance with legal provisions and compensation for damages to third parties resulting from activities carried out by the Organization.

Operational Risk is inherent to products, activities, processes and systems, and the principles and guidelines in this document are applicable to all of them, without prejudice to the development of specific regulations for certain activities, which define the exact scope in each case.

The categories into which Operational Risk events are classified and their basic definition, in accordance with the provisions of the Basel rules, are:

- Internal fraud;
- External fraud;
- Employment practices, health and safety at work;
- Practices with customers, products and business;
- Damage to physical assets;
- Business disruption and system failures;
- Failures in the execution, delivery and management of processes.

The Institution has an institutional process for the capture, construction and consolidation of operational risk data on an internal basis, associated with operational risk instruments, with the aim of providing mechanisms for monitoring trends to assist in decision-making and/or mitigation with report to the Institution's Senior Management.

Glossary

A

- **ALCO** - Asset and Liability Committee

B

- **BACEN** - Banco Central do Brasil (Central Bank of Brazil)

C

- **CA** - Board of Directors
- **CCP** – Non-Qualified Central Counterparty
- **CDS** - Credit Default Swap
- **CEO** – Chief Executive Officer
- **CFO** – Chief Financial Officer
- **CVM** – Comissão de Valores Mobiliários (Brazilian Securities and Exchange Commission)

E

- **ECB** - European Central Bank

H

- **HQLA** - High Quality Liquidity Assets

I

- **IAISG** - Information for the Assessment of Global Systemic Importance
- **ICAAP** - Internal Capital Adequacy Assessment Process
- **IRRBB** - Interest Rate Risk in the Banking Book

L

- **LCR** – Liquidity Coverage Ratio

M

- **MVE** - Market Value of Equity
- **NIM** - Net Interest Margin

N

- **NSFR** - Net Stable Funding Ratio

P

- **PPNR** - Pre-Provision Net Revenues

R

- **RA** - Leverage Ratio
- **RAS** - Risk Appetite Statement
- **RCC** - Risk and Compliance Committee
- **RCC** - Risk Control Committee
- **RE** - Reference Equity

- **REC** - Credit Equivalent Risk
- **RPA** - Risk Profile Assessment
- **RWA** - Risk-weighted assets

S

- **SPE** - Special Purpose Entities

V

- **VaR** - Value at Risk