

# Risk and Capital Management

December 2021



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## INTRODUCTION

This document presents information regarding risk management, the calculation of the amount of risk-weighted assets (RWA<sup>1</sup>), the adequacy of the Total Capital of the Prudential Consolidated, the comparison between Accounting information and Prudential information, the leverage ratio, liquidity indicators, capitalization indicators, and compensation of directors and officers, in line with the requirements of the Brazilian Central Bank (Bacen), through Circular Letter 3.930/19, and in line with Pillar 3 of the Basel Accord rules.

In accordance with Resolution 4.557/17 issued by Brazil's National Monetary Council (CMN), the Institution has a formal disclosure policy as well as institutional frameworks and policies for risk management and capital management approved by the Board of Directors. The basic principles observed in management and control were established pursuant to current regulations and market practices, as detailed in the specific chapters on each of these topics presented in this report.

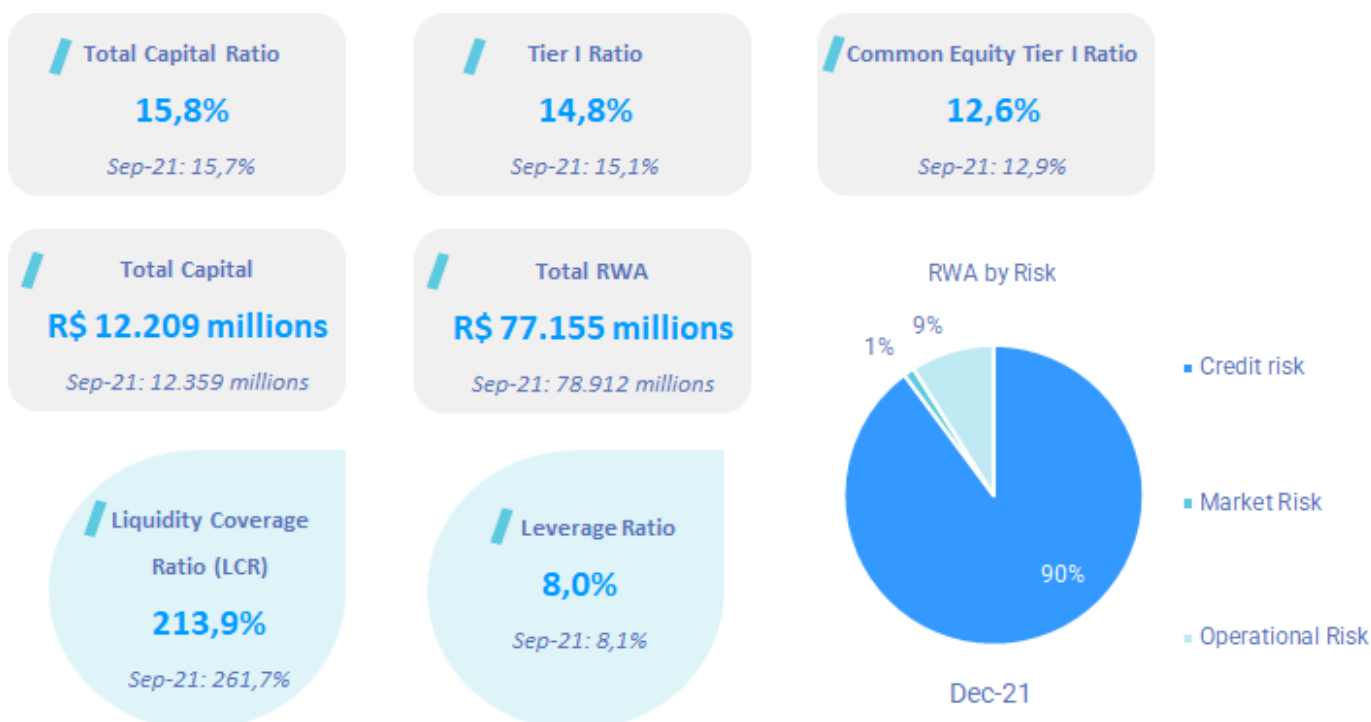
According to the rules established by the regulator, through BCB Resolution 54/20, this document is divided into sections composed of tables, which present qualitative and quantitative information, in fixed or flexible formats, and with different frequency, which are:

- 1st Quarter of the year: disclosure of the quarterly quantitative tables;
- 2nd Quarter of the year: updating of the quarterly tables and dissemination of the quantitative half-yearly tables;
- 3rd Quarter of the year: updating of the quarterly quantitative tables;
- 4th quarter of the year: updating of the quarterly and half-yearly quantitative tables and disclosure of the annual quantitative and qualitative tables.

The coming sections present updated information for the 4<sup>th</sup> quarter, including qualitative and quantitative tables, as established in BCB Resolution 54/20. The following tables are outside the scope of updating for S2 Banks: GSIB1 and LIQ2. Additionally, the tables referring to the market risk MRB, MR2, MR3 and MR4 are for exclusive disclosure of institutions authorized to use internal models of market risk for calculating the daily amount referring to the RWA<sub>MINT</sub> portion.

The detailed information is described in the report, in the respective appendices, and in the spreadsheets supporting the tables available on the Investor Relations website at [www.bancovotorantim.com.br/ri](http://www.bancovotorantim.com.br/ri) and in Open Data format, available on the website of the Brazilian Central Bank (Bacen) at [www.dadosabertos.bcb.gov.br](http://www.dadosabertos.bcb.gov.br).

Following are the main indicators on the base date of December 31, 2021, for the Prudential Conglomerate:



<sup>1</sup> Risk Weighted Assets

## I. Prudential Indicators and Risk Management

### 1) KM1: Quantitative information on the prudential requirements

The Institution considers that it is at adequate levels of capitalization, since required capital is lower than available capital and there is sufficient capital margin to support business growth. In December 2021, the Total Capital Ratio was 15.8%, with a capital margin, calculated by the difference between the Total Capital and the required capital, was roughly R\$ 5.7 billion (considering RBAN). The Tier 1 Capital Ratio ended at 14.8% and the Common Equity Tier I Ratio closed at 12.6%.

| Quarterly Update<br>Prudential Consolidated - R\$ million         |  | Dec-21  | Sep-21  | Jun-21  | Mar-21  | Dec-20  |
|---|--|---------|---------|---------|---------|---------|
| <b>Available capital (amounts)</b>                                |  |         |         |         |         |         |
| 1   | Common Equity Tier I (CET1)  | 9.736   | 10.207  | 9.722   | 8.939   | 8.513   |
| 2   | Tier I   | 11.419  | 11.887  | 11.230  | 10.697  | 10.078  |
| 3   | Total Capital  | 12.209  | 12.359  | 11.653  | 11.182  | 10.611  |
| 3b  | Excess of resources invested on permanent assets                     | -       | -       | -       | -       | -       |
| 3c  | Total Capital Detachments  | -       | -       | -       | -       | -       |
| <b>Risk-weighted assets (amounts)</b>                             |  |         |         |         |         |         |
| 4   | Total risk-weighted assets (RWA)                                     | 77.155  | 78.912  | 76.438  | 76.323  | 72.467  |
| <b>Risk-based capital ratios as a percentage of RWA</b>           |  |         |         |         |         |         |
| 5   | CET1 ratio   | 12,6%   | 12,9%   | 12,7%   | 11,7%   | 11,7%   |
| 6   | Tier I ratio   | 14,8%   | 15,1%   | 14,7%   | 14,0%   | 13,9%   |
| 7   | Total Capital Ratio  | 15,8%   | 15,7%   | 15,2%   | 14,7%   | 14,6%   |
| <b>Additional CET1 buffer requirements as a percentage of RWA</b> |  |         |         |         |         |         |
| 8   | Capital conservation buffer requirement                              | 2,00%   | 1,63%   | 1,63%   | 1,25%   | 1,25%   |
| 9   | Countercyclical capital buffer requirement                           | 0,0%    | 0,0%    | 0,0%    | 0,0%    | 0,0%    |
| 10  | Systemic capital buffer requirement                                  | 0,0%    | 0,0%    | 0,0%    | 0,0%    | 0,0%    |
| 11  | Total of bank CET1 specific buffer requirements                      | 2,00%   | 1,63%   | 1,63%   | 1,25%   | 1,25%   |
| 12  | CET1 available after meeting the bank's minimum capital requirements | 6,1%    | 6,8%    | 6,6%    | 6,0%    | 6,0%    |
| <b>Leverage Ratio (LR)</b>  |  |         |         |         |         |         |
| 13  | Total exposure   | 142.329 | 146.711 | 146.495 | 147.459 | 137.634 |
| 14  | LR   | 8,0%    | 8,1%    | 7,7%    | 7,3%    | 7,3%    |
| <b>Liquidity Coverage Ratio (LCR)</b>                             |  |         |         |         |         |         |
| 15  | Total high-quality liquid assets (HQLA)                              | 13.072  | 16.235  | 14.064  | 17.229  | 19.227  |
| 16  | Total net cash outflow   | 6.110   | 6.204   | 5.451   | 7.506   | 8.513   |
| 17  | LCR ratio  | 213,9%  | 261,7%  | 258,0%  | 229,5%  | 225,9%  |
| <b>Net Stable Funding Ratio (NSFR)<sup>1</sup></b>                |  |         |         |         |         |         |
| 18  | Total available stable funding (ASF)                                 |         |         |         |         |         |
| 19  | Total required stable funding (RSF)                                  |         |         |         |         |         |
| 20  | NSFR ratio   |         |         |         |         |         |

1 - Gradual increase of CET1 buffer Conservation (up to 2.5% until April/22), according to CMN Resolution nº 4,783/20.

2 - Capital conservation buffer requirement is established by the Financial Stability Committee (Comef) and is currently set to zero, according to BACEN nº 37.942/21).

3 - Institutions classified in segment 1 (S1) are subject to compliance with the Systemic Capital Buffer portion, pursuant to CMN Resolution No. 4,553/17).

4 - NSFR information not applicable through segmentation provided for by BACEN No. 3,390.

The Total Capital (TC) ended the period at R\$ 12.2 billion, showing an increase of R\$ 150 million compared to the previous quarter's TC, with 93.5% of the TC amount being composed of Tier 1 Capital, and Tier 1 Capital ended the period at R\$ 11.4 billion, showing a R\$ 467 million increase compared to the previous quarter, mainly due to earnings reported in the period.

## 2) OVA: Overview of the Institution's risk management

### Scope of Capital and Risk Management

The business targets and strategies are determined and validated by Senior Management and Statutory Bodies during the Strategic Planning (SP) process, which seeks to offer medium-term guidelines for the Institution. The Strategic Planning process involves several business and cross-cutting areas. Both the process and the strategic objectives are aligned with the risk and capital vision, particularly regarding Risk Appetite, Strategy Risk, and Capital Plan.

The integrated approach to risk management consists of the adoption of tools which enable the consolidation and control of material risks to which the Conglomerate is subject. The aim of this approach is to organize the decision-making process and define tools for maintaining acceptable risk levels which are compatible with the volume of capital available, in line with the business strategy adopted.

The Institution has a list of risks considered material risks, which is approved periodically by the Board of Directors (BOD). For each risk listed, the most appropriate treatment (management, hedge / insurance or capitalization) is assessed, so as to guide the best way to monitor and control each exposure. The risks considered as material on the reference base-date are:

- Credit risk;
- Counterpart's credit risk;
- Credit concentration risk;
- Market risk;
- Interest Rate Risk in the Banking Book (RBAN);
- Liquidity risk;
- Operational risk;
- Reputation risk;
- Strategy risk;
- Social, Environmental and Climate Risk;
- Model risk;
- Compliance risk;
- Underwriting risk;
- Collateral risk;
- Cybersecurity risk;
- Step-in Risk; and
- Technology risk.

In December 2021, the material risks matrix was reviewed and reported to the Controls and Risks Committee (CCR) and the Risks and Capital Committee (CRC), and its approval by the Board of Directors takes place in the context of the deliberation of the ICAAP Report date -base Dec/21, scheduled for early 2022.

The levels of exposure to risks are monitored through a framework of risk limits, which are incorporated into the Conglomerate's daily activities. Senior Management is involved in monitoring and performing actions that are necessary to risk management.

The risk appetite consists of a statement of risk that the Institution is willing to accept to achieve its objectives and is monitored through indicators and their respective limits. The risk appetite statement (RAS) approved by the Board of Directors reflects Senior Management's expectations, and guides strategic planning and budget, permeating the Institution. Based on this statement, risk appetite is monitored via a dashboard consisting of indicators and limits that are tracked monthly at the competent levels, in addition to actions, complementary monitoring efforts, and specific projects.

The Conglomerate has general and specific structures and policies for risk and capital management, pursuant to CMN Resolution 4.557/17, approved by the Board of Directors. The basic principles observed in the management and control of risks and capital were established in accordance with current regulations and market practices. The risk mitigation strategy respects the particularities of each risk, and is supported by the structured framework of management aspects: RAS, policies, internal regulations, governance, and performance of the lines of defense:

- 1<sup>st</sup> Line of Defense – Process Managers: responsible for recognizing and classifying the risks to which their processes are subject, sizing and analyzing the potential impact of the risk associated with their process, implementing and executing controls to mitigate risks, establishing monitoring indicators, maintaining effective internal controls, and conducting risk management and controls of their day-to-day processes.
- 2<sup>nd</sup> Line of Defense – Risk Managers: responsible for identifying the risks to which the Bank is subject, in order to certify that the controls of the first line of defense are suitable, sizing and qualifying the result of measuring the risk, advising the process management areas in the deployment of controls that mitigate the associated risks, establishing and monitoring corporate indicators, and communicating to senior management and process manager on the behavior of the aggregated exposure to risks or results of the monitoring.
- 3<sup>rd</sup> Line of Defense – Internal Audit: responsible for providing assurance, advisory and insights based on risks, thereby providing Shareholders, the Board of Directors and the Board of Executive Officers with independent, impartial and timely evaluations of risk management, effectiveness on the system of internal controls defined by the first and second lines of defense, as well as compliance with internal rules and regulations in the Conglomerate’s operations.

Additionally, it should be noted that the Institution conducts the Internal Capital Adequacy Assessment Process (ICAAP), in line with CMN Resolution No. 4557/17 and Circular Letter No. 3.846/17, and that its respective report is approved by the Board of Directors and reported to the Brazilian Central Bank, covering the description of the risk management and the capital management structure.

### **Internal Governance and Organizational Structure**

The Conglomerate’s Corporate Governance structure involves guiding and monitoring the relationships between Banco Votorantim S.A. (“Banco”), its subsidiaries, its shareholders, the Fiscal Council, the Board of Directors (BOD), the Committees subordinate thereto, the Internal and External Audits, the Board of Executive Officers, and the Internal Committees. Each governance body has its roles, scope and composition defined in the law, the Articles of Incorporation, Bylaws, and Regulatory Instructions, as the case may be, which specify all of the responsibilities regarding risk management and monitoring.

The main body responsible for establishing guidelines, policies and limits for risk and capital management is the Board of Directors, which meets on a monthly basis and reports to the general shareholders’ meeting. Under CMN Resolution 4.557/17, the Risk and Capital Committee (RCC) was created, which meets monthly and reports to the Board of Directors. The main duties of the RCC are:

- To keep the Board of Directors informed and updated on: the risks that may impact the Bank’s capital and liquidity, and the legislation issued by regulatory agencies related to risk management and capital allocation.
- To evaluate and submit the following for approval by the Board of Directors: the levels of risk appetite and respective revision proposals; the policies, strategies and limits for risk and capital management; the stress testing programs; policies for managing business continuity; and liquidity contingency plans, capital plans, and capital contingency plans.
- To assess the risk appetite levels established in the Risk Appetite and Tolerance Statement, the strategies for managing it, and the degree of adherence of the processes of the risk management structure to the established policies.
- To oversee the activity and performance of the Company’s Executive Officer responsible for the Risks area, and compliance with the terms of the risk appetite statement by the Board of Executive Officers and the BV bank as a whole.
- To act in a coordinated manner with the Audit Committee, in order to facilitate the exchange of information, the necessary adjustments to the risk governance structure, and the effective treatment of risks.
- To comply with other determinations of the Board of Directors relating to the Committee’s scope of activity.

Within the scope of the board of executive officers, the most prominent bodies are the Controls and Risk Committee (CRC), which plays a fundamental role for the Conglomerate’s integrated risk management and controls, and in a complementary way to this governance, the ALM and Tax Committee, which addresses issues related to capital management. Both report to the Executive Committee and meet on a twice-monthly and monthly basis, respectively.

The roles of the Institution’s Chief Risk Officer (CRO) are described in the Board of Executive Officers’ Bylaws, approved by the Board of Directors, which generally involve supervision of the development, implementation, performance and enhancement of the risk management structure, with the aim of maintaining the Conglomerate’s financial solvency.

At the tactical level, for the execution of risk and capital management activities, the Bank has dedicated areas that are responsible for consolidated risk and capital controls. The main processes involving risk and capital management are under the responsibility of the Risk Board of Executive Officers, the Finance and Investor Relations Board of Executive Officers, and the Digital Strategy and Innovation Board of Executive Officers. Also noteworthy was the performance of the Internal Audit as well as the areas of Internal Controls, Compliance, and Independent Validation of Models, which are responsible for ensuring a wide-reaching and independent assessment of the adequacy of the methodologies adopted for integrated risk management, including an assessment of governance, internal processes, technological environment, regulatory compliance, and modeling.

## Structured Flow of Information

The Institution adopts the practice of communicating information about risks and capital through reporting with specific periodicity to the parties involved in the processes and Senior Management, which reinforces the timely monitoring of information that subsidizes corporate decisions.

The structured flow of information uses the established governance structure, composed of the Board of Directors, the Committees, and — at a more tactical level — risk and capital managers, control teams, and business units.

The Institution adopts an integrated approach for managing risks and capital, aiming at organizing the decision-making process and define tools for maintaining acceptable risk levels which are compatible with the volume of capital available, in line with the business strategy adopted.



The consolidation of risks covers material exposures inherent to the Institution's business lines. The exposures are mainly grouped into the following risk categories: market, credit and liquidity. This is done through a structured process that comprises mapping, calculating and consolidating the amounts at risk.

The levels of risk exposure and capital availability are monitored through a limit framework, incorporated into the Institution's activities by means of an organized management and control process which assigns functional responsibilities to the areas involved.

In this context, we highlight the performance of the Integrated Risk area, which is responsible for the procedural and methodological coordination of the Internal Capital Adequacy Assessment Process (ICAAP), updating and reporting the Risk Appetite Dashboard and the material risks list, coordinating the Controls and Risk Committee (CRC), and updating this document. Senior Management is involved in monitoring and performing actions that are necessary to material risk management, to which the Institution is exposed.

## Risk Culture

The Board of Directors, supported by the Risks and Capital Committee, acts strongly in disseminating the Conglomerate's risk culture, by providing the main guidelines so that risks and capital are managed according to the business model, the nature of the operations, and the complexity of the Institution's products, services, activities and processes. In this context, the BOD has the following main duties: establish the risk appetite levels in the RAS (Risk Appetite Statement), approve the Risk and Capital Management Policy (PCE\_005) and the ICAAP Report, resolve on the Liquidity Contingency Plan, and approve the Code of Conduct.

The governance bodies — detailed above in the context of Internal Governance and Organizational Structure — also play a major role in the dissemination of the risk culture at the Institution, through participation of the areas involved in the reported content. Risk management activities are carried out at all levels of the Bank, grouped into lines of defense (as detailed above in the context of the scope of risk management and capital management).

The risk management process has a set of documents setting out the main guidelines to be observed in the activities of risk management and they classified in the following corporate structure:

- **PCG:** guidelines and principles that steer the organizational behavior of all employees;
- **PCE:** guidelines and principles that steer the behavior or attributions related to a specific issue or specific area;
- **IN:** rules and instructions for a specific area or for the execution of a specific activity, observing the guidelines and principles provided for in the Policies;
- **MPS:** description of the technical characteristics of standardized and transacted products and services; and
- **MPR:** description of how the processes are carried out, detailing how a given type of activity or task is performed.

These documents are available for consultation on the Corporate Portal (intranet) and are reviewed and updated according to the periodicity established by law, regulations or company bylaws, or whenever there are significant changes.



We also highlight the Risk and Capital Management Policy (PCE\_005), which sets out the general guidelines for defining, systematizing and standardizing risk and capital management, and also sets out the guidelines of the Risk Appetite Statement (RAS) and disclosure of information, in accordance with article 56 of CMN Resolution 4557/17.

Within the scope of the transparency pillar (publication of information), the Conglomerate maintains relevant information on risk and capital management, easily accessible by outside users, thereby allowing investors and stakeholders to assess the sufficiency of the Conglomerate's capital to cover the risks assumed, under current legislation. The scope of the information disclosed must be defined through judgmental relevance criteria, assessed and submitted for approval by the Controls and Risk Committee (CRC).

The Code of Conduct of the Conglomerate and its subsidiaries (PCG\_002) is a guide for employee behavior in performing activities and in relationships with peers and people outside the organization, within the scope of professional practice, always following the highest ethical standards, transparency, and personal/professional integrity.

In 2021, Banco BV established a project dedicated to improving risk management in its institutional culture, in line with the Conglomerate's strategic planning. The Risk Culture Program is a front in the evolution of the BV culture that aims to advance the maturity of all employees in the identification, anticipation of risks and adequate mitigation of the risks identified by the three lines of defense.

The focus was structured on the following actions:

- Accountability/Ownership of the 1st line of defense.
- Strengthening the consultative role of the 2nd line of defense, maintaining its independence as the 1st line of defense.
- Everyone's knowledge of the attributions of the three lines of defense.
- Alignment of leadership for the different positions and for the decision-making process.

### **Stress testing**

The purpose of the Integrated Stress Test is to assess the Institution's solvency level under adverse and plausible scenarios, by analyzing the regulatory capital for the three-year time horizon. This assessment encompasses the application of scenarios under a situation of stress using satellite models, and the respective impacts on the Balance Sheet and Statement of Income (SOI) and, consequently, on the Total Capital and on the portions of risks (required capital).

The Integrated Stress Test is used in management, through assessment and construction of the Budget (not only in the assessment of capital, but also in the results of stress scenarios) and in specific demands, such as in the sensitivity analysis of the impact of the changes of the US dollar on the Bank's portfolio, on exposure and hedge. This assessment covers the application of internal scenarios developed with the economy team, considering political and economic aspects, in addition to scenarios proposed by the Brazilian Central Bank (Bottom-Up Stress Test) in a stressful situation as well as their respective impacts on the balance sheet and consequently on the total capital (available capital) and portions of risks (required capital). The institution's portfolio sensitized in the test involves nearly all the products and services available for the various operating segments.

The structure of the Integrated Stress Test encompasses the stages of defining scenarios, satellite models incorporating the relationships of the macroeconomic scenario in credit, market and operational risk, ascertaining impacts on the balance sheet, SOI and capital, and their use in management. Additionally, complementary analyses are also performed, such as retrospective and sensitivity analyses of the Total Capital Ratio and specific analyses of market and liquidity risk, Reverse Stress Test, etc.

The Integrated Capital Stress Test process is part of the Internal Capital Adequacy Assessment Process (ICAAP) and is standardized in documents that establish the main guidelines and rules that should be observed when conducting the process. This test relies on the involvement of several areas of the Institution; the governance rite (reporting and approval) involves the Board of Directors, as provided for in CMN Resolution 4.577/17, the Risk and Capital Committee (RCC), and the Controls and Risk Committee (CRC).

### **Capital Planning**

At the Conglomerate, capital is managed in order to ensure adequacy within regulatory limits and to establish a strong capital base enabling the Conglomerate to develop business and transactions in accordance with its strategic plan.

In line with CMN Resolution 4.557/17 issued by the National Monetary Council (CMN), and BACEN Circular Letter 3.846/17, the Conglomerate has an institutional policies and structure for capital management, approved by the Board of Directors, pursuant to the ICAAP, including the following items:

- Capital management is performed through a continuous process of planning, assessment, control and monitoring of the capital required to cope with the relevant risks;
- Documented policies and strategies;
- Specific forums to compose strategies and manage the use of capital;
- Capital Plan for three years, including Capital targets and projections, main funding sources and Capital contingency plan;
- Stress tests and their impacts on Capital;
- Management reports to the Senior Management (Board of Executive Officers and Board of Directors);
- Evaluation of capital adequacy in the regulatory and economic view; and
- Reporting to the regulator on capital management, through the Statement of Operational Limits and the ICAAP Annual Report.

Moreover, feasibility analyses for repurchasing instruments eligible for capital with redemption clauses are performed, whenever pertinent.

### Capital sufficiency

At the institution, capital is managed in order to ensure adequacy within regulatory limits and to establish a strong capital base enabling the Institution to develop business and transactions in accordance with its strategic plan. Our annual capital plan includes growth projections for the loan portfolio and other transactions and assets, in order to assess adequacy of its capital to deal with the associated risks and ensure compliance with regulatory operational limits.

From a regulatory perspective, monthly, after the calculation of the Total Capital and the Required Capital, management reports are released to the areas involved, in order to monitor the capital allocated to the risks and the capital ratios (Total Capital, Tier 1, and CET1). From an economic perspective, the assessment of capital sufficiency takes place through the ICAAP process.

Below are tables with Prudential and Macro-Prudential indicators, updated quarterly, as provided for in BCB Resolution 54/20.

### 3) OV1: Overview of risk-weighted assets (RWA)

RWA, as defined by CMN Resolution No. 4.193/13, is comprised of the sum of risk-weighted assets referring to the credit, market and operational risks:

$$\begin{array}{ccccccc}
 & & \text{Credit risk} & & \text{Market risk} & & \text{Operational risk} \\
 \boxed{\text{RWA}} & = & \boxed{\text{RWA}_{\text{CPAD}}} & + & \boxed{\text{RWA}_{\text{CAM}} + \text{RWA}_{\text{JUR}} + \text{RWA}_{\text{COM}} + \text{RWA}_{\text{ACS}}} & + & \boxed{\text{RWA}_{\text{OPAD}}}
 \end{array}$$

**RWA<sub>CPAD</sub>**: meaning the portion of risk-weighted assets (RWA) relating to credit risk exposures subject to the calculation of capital requirement using a standardized approach;

**RWA<sub>CAM</sub>**: portion of risk-weighted assets (RWA) relating to exposures in gold, in foreign currency and in assets subject to exchange-rate change;

**RWA<sub>JUR</sub>**: portion of risk-weighted assets (RWA) relating to exposures subject to the variation of interest rates classified in the trading portfolio;

**RWA<sub>COM</sub>**: portion of risk-weighted assets (RWA) relating to exposures subject to the change of commodity prices;

**RWA<sub>ACS</sub>**: portion of risk-weighted assets (RWA) relating to exposures subject to the change in the price of shares classified in the trading portfolio;

**RWA<sub>OPAD</sub>**: portion of risk-weighted assets (RWA) relating to the calculation of capital required for operational risk using a standardized approach.

Quarterly Update  
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|           |  | RWA           |               | Minimum capital requirements |
|-----------|--|---------------|---------------|------------------------------|
|           |  | Dec-21        | Sep-21        | Dec-21                       |
| <b>0</b>  | <b>Credit Risk- standardized approach</b>  | <b>69.308</b> | <b>69.598</b> | <b>5.545</b>                 |
| 2         | Credit Risk  | 57.621        | 57.523        | 4.610                        |
| 6         | Counterparty credit risk (CCR)   | 1.829         | 2.073         | 146                          |
| 7         | <u>Of which:</u> standardized approach for counterparty credit risk (SA-CCR)   | -             | -             | -                            |
| 7a        | <u>Of which:</u> CEM approach  | 1.376         | 1.527         | 110                          |
| 9         | <u>Of which:</u> other CCR   | 453           | 545           | 36                           |
| 10        | Increase related to the adjustment associated with the variation in the derivatives value due to the credit valuation adjustment (CVA) | 796           | 750           | 64                           |
| 12        | Equity investments in funds – look-through approach  | 403           | 449           | 32                           |
| 13        | Equity investments in funds – mandate-based approach   | -             | -             | -                            |
| 14        | Equity investments in funds – fall-back approach   | -             | -             | -                            |
| 16        | Securitisation exposures in banking book   | 372           | 537           | 30                           |
| 25        | Amounts for exposures not deducted from total capital calculation  | 8.286         | 8.268         | 663                          |
| <b>20</b> | <b>Market Risk</b>   | <b>909</b>    | <b>2.382</b>  | <b>73</b>                    |
| 21        | <u>Of which:</u> standardized approach (SA)  | 909           | 2.382         | 73                           |
| 22        | <u>Of which:</u> internal model approach (IMA)   | -             | -             | -                            |
| <b>24</b> | <b>Operational risk</b>  | <b>6.938</b>  | <b>6.938</b>  | <b>555</b>                   |
| <b>27</b> | <b>Total (2+6+10+12+13+14+16+25+20+24)</b>   | <b>77.155</b> | <b>78.918</b> | <b>6.172</b>                 |

#### 4) CCYB1: Geographical distribution of credit risk exposures considered in the calculation of the Countercyclical ACP

Base Date: Dec-21  
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| Geographical breakdown | ACCP <sub>i</sub> | 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 <sub>CP,NB</sub> |   |                                       |
| Brazil                 | 0%                | 125.927  | 65.308               |   | -                                     |
| Bahamas                | 0%                | 2.045  | 1.796                |   | -                                     |
| <b>Sum</b>             |                   | <b>127.972</b>   | <b>67.104</b>        |   |                                       |
| <b>Total</b>           |                   | <b>127.972</b>   | <b>67.104</b>        | -   | -                                     |

The Financial Stability Committee maintained the Additional Countercyclical Value of Principal Capital related to Brazil (ACCP<sub>Brasil</sub>) at 0%, pursuant to BACEN Notice No. 37,942 of 11/18/2021.

#### 5) MR1: Market Risk under Standardized Approach

Base Date: Dec-21  
Quarterly Update  
Prudential Consolidated - R\$ million

|          | Risk factors                                   | RWA <sub>M PAD</sub> |
|----------|--|----------------------|
| 1        | Interest rate                                  | 742                  |
| 1a       | Fixed Rate in Reais (RWA <sub>JUR1</sub> )     | 184                  |
| 1b       | Foreign Currency Coupon (RWA <sub>JUR2</sub> ) | 236                  |
| 1c       | Price Index Coupon (RWA <sub>JUR3</sub> )      | 322                  |
| 1d       | Interest Rate Coupon (RWA <sub>JUR4</sub> )    | 0                    |
| 2        | Shares (RWA <sub>ACS</sub> )                   | 6                    |
| 3        | Foreign exchange (RWA <sub>CAM</sub> )         | 162                  |
| 4        | Commodity (RWA <sub>COM</sub> )                | 0                    |
| <b>9</b> | <b>Total</b>                                   | <b>909</b>           |

## II. Comparison between Accounting and Prudential Information

Risk and capital management is carried out on a consolidated basis in the context of the prudential consolidated, as established in CMN Resolution 4280/13.

In this regard, the table below shows the companies that integrate the amounts reported in the financial statements (published in the “Complete Financial Statements” report available on the Investor Relations website) and the companies that integrate the amounts considered in the prudential regulation, used in calculating the Basel Ratio.

R\$ million.

| Company  | Business Segment                | Dec-21       |                      | Consolidated Balance Sheet | Regulatory Balance Sheet |
|--|---------------------------------|--------------|----------------------|----------------------------|--------------------------|
|  |                                 | Total Assets | Shareholders' Equity |                            |                          |
| Banco Votorantim S/A.  | Multiple Bank.                  | 117.268      | 11.923               | ✓                          | ✓                        |
| Banco BV S.A. (antiga BV Leasing Arrendamento Mercantil S.A.) (1)                                      | Multiple Bank.                  | 6.010        | 1.510                | ✓                          | ✓                        |
| BV Distribuidora de Títulos e Valores Mobiliários Ltda. (antiga Votorantim Asset DTVM) (2)             | Third-Party Resource Management | 446          | 308                  | ✓                          | ✓                        |
| Votorantim Expertise Multimercado Fundo de Investimento (Expertise)                                    | Multimarket investment fund     | 1.365        | 104                  | ✓                          | ✓                        |
| BV - Multiestratégia Investimento no Exterior  | Equity investment fund          | 159          | 156                  | ✓                          | ✓                        |
| Fundo de Invest. em Participações BV Tech I - Multiestratégia Investimento no Exterior (FIP BV Tech I) | Equity investment fund          | 375          | 375                  | ✓                          | ✓                        |
| Crédito Universitário III Fundo de Investimento em Direitos Creditórios (FIDC Universitário) (3) (4)   | Fund                            | 15           | 15                   | ✓                          | ✓                        |
| Fundo de Investimento em Direitos Creditórios BV - Crédito de Veículos (FIDC BV) (5) (6)               | Fund                            | 2.906        | 2.905                | ✓                          | ✓                        |
| Fundo de Investimento em Direitos Creditórios TM II (FIDC TM) (5)                                      | Fund                            | 189          | 189                  | ✓                          | ✓                        |
| Fundo de Investimento Imobiliário Votorantim BII BTS (BTS) (7)   | Fund                            | 140          | 129                  | ✓                          | ✓                        |
| Fundo de Investimento Marítimo Renda Fixa (Marítimo) (8)   | Fund                            | -            | -                    | ✓                          | ✓                        |
| Votorantim Securities Master Fundo de Investimento Imobiliário (Master) (7)                            | Fund                            | 82           | 81                   | ✓                          | ✓                        |
| Fundo de Investimento Imobiliário Votorantim Patrimonial (Patrimonial) (7)                             | Fund                            | 3            | 3                    | ✓                          | ✓                        |

(1) On August 19, 2020, the changes to the corporate name of BV Leasing to Banco BV S.A., as well as its corporate purpose to multiple-service banking, were approved.

(2) On September 30, 2021, the change of the corporate name of Votorantim Asset Management Distribuidora de TVM Ltd (Votorantim Asset DTVM) to BV Distribuidora de Títulos e Valores Mobiliários Ltda (BV DTVM) was approved.

(3) For consolidation purposes, it considers a lag of up to 2 months in the respective balance sheet.

(4) Investment fund created in September 2020.

(5) Investment fund created in May 2021.

(6) Investment fund in which the Bank substantially assumes or retains risks and benefits, through subordinated shares.

(7) Investment fund became part of the Conglomerate's assets in June 2021.

(8) The Fixed Income Maritime Investment Fund (Marítimo), which became part of the Conglomerate's assets in June 2021, was liquidated in July 2021.

### 6) LIA: Explanation of the origin of the differences between the reported book values

The differences between the amounts reported in table LI1 — referring to the amounts in the financial statements and the amounts considered in the prudential regulation — refer mainly to the difference in the composition of conglomerates (consideration or elimination of non

financial company operations in corporate, elimination of tax on MtM funds in Prudential, among others), as well as treatments carried out for disclosure purposes.

## 7) LI1: Differences between the scope of accounting consolidation and the scope of prudential treatment

|   | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items         |   |   |   | Not subject to capital requirements or subject to deduction from |
|---|---|---|----------------------------------|---|---|---|--|
|   |   |   | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitisation framework | SujSubject to the market risk framework |  |
| <i>Base Date: Dec-21</i>                          |   |   |                                  |   |   |   |  |
| <i>Annual Update</i>                              |   |   |                                  |   |   |   |  |
| <i>Prudential Consolidated - R\$ million</i>      |   |   |                                  |   |   |   |  |
| <b>Assets</b>                                     |   |   |                                  |   |   |   |  |
| Cash / Interbank investments                      | 6.358   | 6.322   | 2.791                            | 3.530   | -                                       | 2.746                                   | -  |
| Securities and derivative financial instruments   | 39.612  | 38.945  | 34.750                           | 5.331   | 429                                     | 9.643                                   | 1.565  |
| Interbank/interbranch accounts                    | 1.492   | 1.492   | 1.492                            | -   | -                                       | -                                       | -  |
| Loan, lease and other credit operations           | 60.289  | 60.289  | 60.289                           | -   | -                                       | 3.806                                   | -  |
| Other assets                                      | 2.347   | 2.206   | 879                              | 1.326   | -                                       | -                                       | -  |
| Permanent assets                                  | 8.125   | 8.101   | 6.640                            | -   | -                                       | -                                       | 1.461  |
| Investments                                       | 110   | 2.241   | 2.241                            | -   | -                                       | 0                                       | -  |
| Real estate                                       | 82  | 81  | 81                               | -   | -                                       | -                                       | -  |
| Goodwill and Intangible assets                    | 675   | 649   | -                                | -   | -                                       | -                                       | 649  |
| Other receivables                                 | 1.076   | 1.069   | 1.069                            | -   | -                                       | -                                       | -  |
| <b>Total assets</b>                               | <b>120.166</b>  | <b>121.395</b>  | <b>110.233</b>                   | <b>10.188</b>                                 | <b>429</b>                              | <b>16.195</b>                           | <b>545</b>   |
| <b>Liabilities</b>                                |   |   |                                  |   |   |   |  |
| Deposits  | 24.047  | 25.029  | -                                | -   | -                                       | 1.580                                   | 25.029   |
| Deposits received under securities                | 16.821  | 17.527  | -                                | 16.944  | -                                       | 2.297                                   | 583  |
| Funds from acceptances and issuance of securities | 41.861  | 41.861  | -                                | -   | -                                       | 10.003                                  | 41.861   |
| Interbank/interbranch accounts                    | 2.840   | 2.840   | -                                | -   | -                                       | -                                       | 2.840  |
| Borrowings and onlending                          | 5.103   | 5.103   | -                                | -   | -                                       | 3.721                                   | 5.103  |
| Derivative financial instruments                  | 2.365   | 2.365   | -                                | -   | -                                       | -                                       | 2.365  |
| Technical provision for insurance, pension        | 11.073  | 11.072  | 1                                | 184   | -                                       | -                                       | 10.886   |
| Provisions  | 1.123   | 916   | -                                | -   | -                                       | -                                       | 916  |
| Allowance for financial guarantees provided       | 732   | 731   | -                                | -   | -                                       | -                                       | 731  |
| Other liabilities                                 | 2.273   | 2.198   | -                                | -   | -                                       | -                                       | 2.198  |
| <b>Total liabilities</b>                          | <b>108.238</b>  | <b>109.642</b>  | <b>1</b>                         | <b>17.128</b>                                 | <b>-</b>                                | <b>17.601</b>                           | <b>92.512</b>  |

\*Not subject to capital requirements or subject to deduction from capital

\*\* The totalization of column (b) disregards the balance of column (f)

## 8) LI2: Main differences between the amounts considered in the prudential regulation and the amounts of the exposures

|   | 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 |
| <i>Base Date: Dec-21</i>  |                |                                  |   |   |                                      |
| <i>Annual Update</i>  |                |                                  |   |   |                                      |
| <i>Prudential Consolidated - R\$ million</i>                              |                |                                  |   |   |                                      |
| Asset carrying value amount under scope of regulatory consolidation       | 120.850        | 110.233                          | 10.188  | 429                                     | 16.195                               |
| Liabilities carrying value amount under regulatory scope of consolidation | 17.130         | 1                                | 17.128  | -                                       | 17.601                               |
| Total net amount under regulatory scope of consolidation                  | 137.980        | 110.234                          | 27.316  | 429                                     | 33.797                               |
| Off-balance sheet amounts   | 5.969          | 5.969                            | -   | -                                       | -                                    |
| <i>Differences in valuations</i>  | -              | -                                | -   | -                                       | -                                    |
| <i>Other differences</i>  | -              | -                                | -   | -                                       | -                                    |
| <b>Exposure amounts considered for regulatory purposes</b>                | <b>143.949</b> | <b>116.203</b>                   | <b>27.316</b>                                 | <b>429</b>                              | <b>33.797</b>                        |

### III. Composition of capital

Below are details on the composition of the Total Capital and eligible instruments, reconciliation with the balance sheet and prudential adjustments.

#### 9) CC1: Composition of regulatory capital

|   |   | a                 | b                       |
|---|---|-------------------|-------------------------|
|   |   | Value             | Balance Sheet Reference |
| <i>Base Date: Dec-21</i>                              |   |                   |                         |
| <i>Half-yearly Update</i>                             |   |                   |                         |
| <i>Prudential Consolidated - R\$ Thousand</i>         |   |                   |                         |
| <b>Common Equity Tier I: instruments and reserves</b> |   |                   |                         |
| 1   | Instruments Eligible for the Common Equity Tier I   | 8.130.372         | a                       |
| 2   | Revenue reserves  | 0                 | b                       |
| 3   | Other revenue and other reserve   | 3.259.797         | c                       |
| 5   | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)  | -                 |                         |
| <b>6</b>  | <b>Common Equity Tier I before regulatory adjustments</b>   | <b>11.390.169</b> |                         |
| <b>Common Equity Tier I: prudential adjustments</b>   |   |                   |                         |
| 7   | Prudential adjustments related to the pricing of financial instruments  | 1.639,26          |                         |
| 8   | Goodwill (net of related tax liability)   | 101.827           |                         |
| 9   | Intangible assets   | 647.617           | g                       |
| 10  | Tax credits arising from income tax losses and social contribution tax loss carryforwards and those originating from this contribution related to determination periods ended until December 31, 1998   | 733.663           | d-e <sup>2</sup>        |
| 11  | Adjustments related to the market value of derivative financial instruments used to hedge the cash flows of protected items whose market-to-market adjustments are not recorded in the books.   | -                 |                         |
| 15  | Actuarial assets related to defined benefit pension funds   | -                 |                         |
| 16  | Shares or other instruments issued by the bank authorized to compose the Core Capital, acquired directly, indirectly or synthetically   | -                 |                         |
| 17  | Reciprocal cross-holdings in common equity  | -                 |                         |
| 18  | 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  | -                 |                         |
| 19  | 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 | -                 |                         |
| 21  | 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   | 169.013           | f-e <sup>3</sup>        |
| 22  | Amount that exceeds 15% of the Common Equity Tier I   | -                 |                         |
| 23  | 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   | -                 |                         |
| 25  | Of which: arising from tax credits resulting from temporary differences that depend on the generation of income or future taxable income for their realization  | -                 |                         |
| 26  | National specific regulatory adjustments  | -                 |                         |
| 26.a  | Deferred permanent assets   | -                 |                         |
| 26.b  | 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   | -                 |                         |
| 26.d  | Increase of unauthorized capital  | -                 |                         |
| 26.e  | Excess of the amount adjusted of Common Equity Tier I   | -                 |                         |
| 26.f  | Deposit to cover capital deficiency   | -                 |                         |
| 26.g  | Amount of intangible assets established before Resolution No. 4,192 of 2013 comes into effect   | -                 |                         |
| 26.h  | Excess of resources invested on permanent assets  | -                 |                         |
| 26.i  | Total capital detached  | -                 |                         |
| 26.j  | Other residual differences concerning the Common Equity Tier I calculation methodology for regulatory purposes  | -                 |                         |
| 27  | Other residual differences related to the calculation of the Common Equity Tier I for regulatory purposes   | -                 |                         |
| <b>28</b>   | <b>Total regulatory deductions from the Common Equity Tier I</b>  | <b>1.653.760</b>  |                         |
| <b>29</b>   | <b>Common Equity Tier I</b>   | <b>9.736.410</b>  |                         |

| <b>Additional Tier I Capital: instruments</b>            |  |                   |
|--|--|-------------------|
| 30   | Instruments eligible for the Additional Tier I Capital   | 1.683.059         |
| 31   | <u>Of which:</u> classified as equity under applicable accounting standards  | -                 |
| 32   | <u>Of which:</u> classified as liabilities under applicable accounting standards   | 1.683.059         |
| 33   | <i>Instruments authorized to compose the Additional Tier I Capital before Resolution No. 4,192 of 2013 comes into effect</i>   | -                 |
| 34   | Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital)   | -                 |
| 35   | <u>Of which:</u> instruments issued by subsidiaries before Resolution No. 4,192 of 2013 comes into effect  | -                 |
| <b>36</b>  | <b>Additional Tier I Capital before regulatory adjustments</b>   | <b>1.683.059</b>  |
| <b>Additional Tier I Capital: regulatory adjustments</b> |  |                   |
| 37   | Shares or other instruments issued by the bank authorized to compose the Additional Tier I Capital, acquired directly, indirectly or synthetically   | -                 |
| 38   | Reciprocal cross-holdings in additional Tier 1 instruments   | -                 |
| 39   | 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          | -                 |
| 40   | 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              | -                 |
| 41   | National specific regulatory adjustments   | -                 |
| 41.b   | Non-controlling interest in Additional Tier I Capital  | -                 |
| 41.c   | Other residual differences concerning the Additional Tier I Capital calculation methodology for regulatory purposes  | -                 |
| 42   | Regulatory adjustments applied to the Additional Tier I Capital due to the insufficient Tier II Capital to cover deductions  | -                 |
| <b>43</b>  | <b>Total regulatory deductions from the Additional Tier I Capital</b>  | <b>0</b>          |
| <b>44</b>  | <b>Additional Tier I Capital (AT1)</b>   | <b>1.683.059</b>  |
| <b>45</b>  | <b>Tier I</b>  | <b>11.419.469</b> |
| <b>Tier II: instruments</b>                              |  |                   |
| 46   | Instruments eligible for Tier II   | 790.021           |
| 47   | <i>Instruments that are authorized to compose Tier II before Resolution No. 4,192 of 2013 comes into effect</i>  | -                 |
| 48   | Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in group Tier 2)   | -                 |
| 49   | <u>Of which:</u> instruments issued by subsidiaries before Resolution No. 4,192 of 2013 comes into effect  | -                 |
| <b>51</b>  | <b>Tier II before regulatory adjustments</b>   | <b>790.021</b>    |
| <b>Tier II: regulatory adjustments</b>                   |  |                   |
| 52   | Shares or other instruments issued by the bank authorized to compose Tier II, acquired directly, indirectly or synthetically   | -                 |
| 53   | Reciprocal cross-holdings in Tier 2 instruments  | -                 |
| 54   | 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 | -                 |
| 55   | 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     | -                 |
| 56   | National specific regulatory adjustments   | -                 |
| 56.b   | Non-controlling interest in Tier II  | -                 |
| 56.c   | Other residual differences concerning Tier II calculation methodology for regulatory purposes  | -                 |
| <b>57</b>  | <b>Total regulatory deductions from Tier II Capital</b>  | <b>-</b>          |
| <b>58</b>  | <b>Tier II</b>   | <b>790.021</b>    |
| <b>59</b>  | <b>Referential Equity (Tier I + Tier II)</b>   | <b>12.209.489</b> |
| <b>60</b>  | <b>Total risk-weighted assets</b>  | <b>78.911.602</b> |
| <b>BIS Ratios and Additional Capital Buffers</b>         |  |                   |
| 61   | Common Equity Tier I Ratio   | 12,6%             |
| 62   | Tier I Ratio   | 14,8%             |
| 63   | BIS Ratio  | 15,8%             |
| 64   | Additional Capital Buffers (% of RWA)  | 2,00%             |
| 65   | <u>Of which:</u> capital conservation buffer requirement   | 2,00%             |
| 66   | <u>Of which:</u> bank-specific countercyclical buffer requirement  | 0,0%              |
| 67   | <u>Of which:</u> capital buffer for institutions that are systemically important at global level (G-SIB)   | 0,0%              |
| 68   | Common Equity Tier 1 capital available after meeting the bank's minimum capital requirements (% of RWA)  | 6,5%              |

|  |   |         |  |
|--|---|---------|--|
| 72   | 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 | -       |  |
| 73   | 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   | -       |  |
| 75   | Tax credits arising from temporary differences, not deducted from the Common Equity Tier I  | 990.542 |  |
| <b>Instruments authorized to compose the Referential Equity before Resolution No. 4,192 of 2013 comes into effect (applicable between October 1, 2013 and January 1, 2022)</b> |   |         |  |
| 82   | <i>Instruments that are authorized to compose the Additional Tier I Capital before Resolution No. 4,192 of 2013 comes into effect</i>   | -       |  |
| 83   | <i>Amount excluded from the Additional Tier I Capital due to the line 82 limit</i>  | -       |  |
| 84   | <i>Instruments that are authorized to compose Tier II before Resolution No. 4,192 of 2013 comes into effect</i>   | -       |  |
| 85   | <i>Amount excluded from Tier II due to the line 84 limit</i>  | -       |  |

"1 - Includes the prudential adjustment referring to non-controlling interests, as per Art. 5, item VI of Resolution No. 4,192.

2 - The value is subject to the application of specific rules established in Art. 5, item VIII, § 4 and § 5 of Resolution No. 4,192.

3 - The value is subject to the application of specific rules established in Art. 5, item VII, § 2, § 3 and § 5 of Resolution No. 4,192.

4 - The value is subject to the application of specific rules established in Art. 27 of Resolution No. 4,192."



## 10) CC2: Reconciliation of regulatory capital to balance sheet

Data-Base: Dec/21  
 Atualização Semestral  
 Consolidado Prudencial - Em R\$ milhões

|                             |  | Consolidated<br>Balanced Sheet | Prudential<br>Consolidated | Balance Sheet<br>Reference |
|-----------------------------|--|--------------------------------|----------------------------|----------------------------|
| <b>Assets</b>               |  |                                |                            |                            |
| 1                           | Cash and cash equivalents  | 2.935                          | 2.899                      |                            |
| 2                           | <b>Financial Assets</b>  | <b>107.162</b>                 | <b>106.355</b>             |                            |
| 2.1                         | Interbank investments  | 3.423                          | 3.423                      |                            |
| 2.2                         | Securities   | 35.898                         | 35.231                     |                            |
| 2.2.1                       | Securities portfolio   | 36.886                         | 36.219                     |                            |
| 2.2.2                       | (Allowance for Impairment)   | -988                           | -988                       |                            |
| 2.3                         | Derivative Financial Instruments   | 3.714                          | 3.714                      |                            |
| 2.4                         | Interbank accounts   | 1.492                          | 1.492                      |                            |
| 2.5                         | Loan operations  | 60.289                         | 60.289                     |                            |
| 2.5.1                       | Loan   | 57.332                         | 57.332                     |                            |
| 2.5.2                       | Other credit operations  | 8.453                          | 8.453                      |                            |
| 2.5.3                       | Lease  | 49                             | 49                         |                            |
| 2.5.4                       | (Allowance for losses associated with credit risk)   | -5.545                         | -5.545                     |                            |
| 2.6                         | Other receivables  | 2.347                          | 2.206                      |                            |
| 3                           | <b>Tax assets</b>  | <b>8.126</b>                   | <b>8.101</b>               |                            |
| 3.1                         | Current tax assets   | 499                            | 447                        |                            |
| 3.2                         | Deferred Tax Assets  | 7.626                          | 7.654                      |                            |
| 3.2.1                       | Deferred Tax Assets on the negative base and tax loss                                      | 728                            | 728                        | d                          |
| 3.2.2                       | Deferred Tax Assets that rely on future profitability (except allowance for credit losses) | 2.007                          | 2.034                      | f                          |
| 3.2.3                       | Deferred Tax Assets for allowance for credit losses  | 4.892                          | 4.892                      |                            |
| 4                           | <b>Investments</b>   | <b>110</b>                     | <b>2.241</b>               |                            |
| 4.1                         | Interest in subsidiaries   | 0                              | 0                          |                            |
| 4.2                         |  |                                |                            |                            |
| 5                           | <b>Real estate in use</b>  | <b>81</b>                      | <b>81</b>                  |                            |
| 5.1                         | Other real estate in use   | 400                            | 397                        |                            |
| 5.2                         | (Accumulated depreciation)   | -318                           | -316                       |                            |
| 6                           | <b>Intangible assets</b>   | <b>675</b>                     | <b>649</b>                 | g                          |
| 6.1                         | Intangible assets  | 1.391                          | 1.365                      |                            |
| 6.2                         | (Accumulated depreciation)   | 0                              | 0                          |                            |
| 6.3                         |  | -538                           | -538                       |                            |
| 6.4                         | (Allowance for losses/Impairment)  | -178                           | -178                       |                            |
| 7                           | <b>Other Assets</b>  | <b>1.076</b>                   | <b>1.069</b>               |                            |
| 8                           | <b>Total assets</b>  | <b>120.166</b>                 | <b>121.395</b>             |                            |
| <b>Liabilities</b>          |  |                                |                            |                            |
| 9                           | <b>Financial Liabilities</b>   | <b>104.110</b>                 | <b>105.797</b>             |                            |
| 9.1                         | Deposits   | 24.047                         | 25.029                     |                            |
| 9.2                         | Deposits received under securities repurchase agreements                                   | 16.821                         | 17.527                     |                            |
| 9.3                         | Funds from acceptances and issuance of securities  | 38.273                         | 38.273                     |                            |
| 9.4                         | Interbank accounts   | 2.840                          | 2.840                      |                            |
| 9.5                         | Borrowings and onlending   | 5.103                          | 5.103                      |                            |
| 9.6                         | Derivative financial instruments   | 2.365                          | 2.365                      |                            |
| 9.7                         | Subordinated debts and debt instruments eligible for capital                               | 3.588                          | 3.588                      |                            |
| 9.7.1                       | Debt instruments eligible for capital before Resolution 4.192                              | 0                              | 0                          | i                          |
| 9.7.2                       | Other Subordinated debts   | 94                             | 94                         |                            |
| 9.7.3                       | Debt instruments eligible for capital  | 3.495                          | 3.495                      | h                          |
| 9.8                         | Other  | 11.073                         | 11.072                     |                            |
| 10                          | <b>Tax liabilities</b>   | <b>1.123</b>                   | <b>917</b>                 |                            |
| 10.1                        | Current tax liabilities  | 460                            | 358                        |                            |
| 10.2                        | Deferred tax liabilities   | 663                            | 558                        | e                          |
| 11                          | <b>Allowance for contingencies</b>   | <b>732</b>                     | <b>731</b>                 |                            |
| 12                          | <b>Other</b>   | <b>2.272</b>                   | <b>2.197</b>               |                            |
| 13                          | <b>Total Liabilities</b>   | <b>108.237</b>                 | <b>109.641</b>             |                            |
| <b>Stockholders' equity</b> |  |                                |                            |                            |
| 14                          | Capital  | 8.130                          | 8.130                      |                            |
| 14.1                        | as of: Common Equity Tier 1 Capital  | 8.130                          | 8.130                      | a                          |
| 14.2                        | as of: Additional Tier 1 Capital   | 0                              | 0                          |                            |
| 15                          | Other Reserves   | 372                            | 372                        | c                          |
| 16                          | Revenue reserves   | 2.947                          | 2.958                      | c                          |
| 17                          | Other comprehensive income   | 479                            | 293                        | c                          |
| 18                          | Retained earnings/accumulated losses   | 0                              | 0                          | b                          |
| 19                          | Total liabilities and stockholders' equity   | 0                              | 0                          | c                          |
| 20                          | <b>Total Liabilities and Stockholders' equity</b>  | <b>120.166</b>                 | <b>121.395</b>             |                            |

## 11) CCA: Main features of regulatory capital instruments

The CCA table is available in Open Data format and on the Investor Relations website ([www.bancovotorantim.com.br/ri](http://www.bancovotorantim.com.br/ri)), Investor Information – Risk and Capital Management menu.

## 12) PV1: Prudential Valuation Adjustments (PVA)

| Base Date: Dec-21<br>Annual Update<br>Prudential Consolidated - R\$ million |                                 | Equity   | Interest rates | FX         | Credits  | Commodities | Total        | Of which: In the trading book | Of which: In the banking book |
|---|---------------------------------|----------|----------------|------------|----------|-------------|--------------|-------------------------------|-------------------------------|
| 1   | Closeout uncertainty, of which: | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 3   | Closeout cost                   | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 4   | Concentration                   | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 5   | Early termination               | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 6   | Model risk                      | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 7   | Operational risk                | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 8   | Investing and funding costs     | -        | 1.311          | 328        | -        | -           | 1.639        | 246                           | 1.393                         |
| 9   | Unearned credit spreads         | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 10  | Future administrative costs     | -        | -              | -          | -        | -           | -            | -                             | -                             |
| 11  | Other                           | -        | -              | -          | -        | -           | -            | -                             | -                             |
| <b>12</b>   | <b>Total</b>                    | <b>0</b> | <b>1.311</b>   | <b>328</b> | <b>0</b> | <b>0</b>    | <b>1.639</b> | <b>246</b>                    | <b>1.393</b>                  |

## IV. Leverage ratio

Circular Letter 3.748/15 sets out the methodology for calculating the Leverage Ratio (LR), which is in line with the recommendations contained in the Basel III documents. The aim of this indicator is to improve financial institutions' ability to absorb shocks from the financial system itself or from other sectors of the economy, enabling financial stability to be maintained. The Leverage Ratio (RA) is defined by the ratio of Level I on Institution's Total Exposure:

$$RA = \frac{\text{Tier I}}{\text{Total exposure}}$$

- Tier I: corresponds to the sum of Common Equity Tier I and Complementary Capital, as defined in CMN Resolution 4.192/13;
- Total exposure: it is determined by accounting information net of allowances, advances received, and unearned income, and without the deduction of any type of mitigator, as defined by Circular Letter 3.748/15.

The minimum limit of the Leverage Ratio (LR) is 3%, according to CMN Resolution 4.615/17 issued by the National Monetary Council.

## 13) LR1: Comparison between information of the FSs and the information used to calculate the Leverage Ratio (LR)

| Half-yearly Update<br>Prudential Consolidated - R\$ million |   | Dec-21         |
|---|---|----------------|
| 1   | Total consolidated assets as published financial statements   | 120.166        |
| 2   | Adjustment from differences of consolidation  | 1.229          |
| <b>1+2</b>  | <b>Total assets of the individual balance sheet or of the regulatory consolidation, in the case of Leverage Ratio on a consolidated basis</b> | <b>121.395</b> |
| 4   | Adjustments for derivative financial instruments  | 1.227          |
| 5   | Adjustment for securities financing transactions (ie repos and similar secured lending)   | 16.944         |
| 6   | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)                            | 6.120          |
| 7   | Other adjustments   | -3.356         |
| <b>8</b>  | <b>Total Exposure</b>   | <b>142.329</b> |

#### 14) LR2: Detailed information on the Leverage Ratio

| <i>Quarterly Update</i><br><i>Prudential Consolidated - R\$ million</i> |  | <b>Dec-21</b>  | <b>Sep-21</b>  |
|---|--|----------------|----------------|
| <b>Items shown in the Balance Sheet</b>                                 |  |                |                |
| 1   | Balance sheet items except derivative financial instruments, securities received on loan and resales for settlement under repurchase transactions  | 112.787        | 112.545        |
| 2   | Adjustments for equity items deducted in the calculation of Tier I   | 2.210          | 2.006          |
| <b>3</b>  | <b>Total exposure shown in the Balance Sheet</b>   | <b>110.576</b> | <b>110.539</b> |
| <b>Transactions using Derivative Financial Instruments</b>              |  |                |                |
| 4   | Replacement value for derivatives transactions   | 3.940          | 4.773          |
| 5   | Potential future gains from derivatives transactions   | 1.227          | 4.351          |
| 7   | Adjustment for collateral in derivatives transactions  | 0              | 0              |
| 8   | 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 | 8              | 6              |
| 9   | Reference value for credit derivatives   | 0              | 0              |
| 10  | Adjustment of reference value calculated for credit derivatives  | 0              | 0              |
| <b>11</b>   | <b>Total exposure for derivative financial instruments</b>   | <b>5.159</b>   | <b>9.117</b>   |
| <b>Repurchase Transactions and Securities Lending (TVM)</b>             |  |                |                |
| 12  | Investments in repurchase transactions and securities lending  | 639            | 561            |
| 13  | Adjustment for repurchases for settlement and creditors of securities lending  | 0              | 0              |
| 14  | Amount of counterparty credit risk   | 19.835         | 20.365         |
| 15  | Amount of counterparty credit risk in transactions as intermediary   | 0              | 0              |
| <b>16</b>   | <b>Total exposure for repurchase transactions and securities lending</b>   | <b>20.474</b>  | <b>20.926</b>  |
| <b>Off-balance sheet items</b>  |  |                |                |
| 17  | Reference value of off-balance sheet transactions  | 13.126         | 12.752         |
| 18  | Adjustment for application of FCC specific to off-balance sheet transactions   | -7.006         | -6.624         |
| <b>19</b>   | <b>Total off-balance sheet exposure</b>  | <b>6.120</b>   | <b>6.128</b>   |
| <b>Capital and Total Exposure</b>                                       |  |                |                |
| 20  | Tier I   | 11.419         | 11.887         |
| <b>21</b>   | <b>Total Exposure</b>  | <b>142.329</b> | <b>146.711</b> |
| <b>Leverage Ratio</b>   |  |                |                |
| <b>22</b>   | <b>Basel III Leverage Ratio</b>  | <b>8,02%</b>   | <b>8,10%</b>   |

## V. Liquidity risk

### 15) LIQA: Qualitative information on liquidity risk management

Liquidity Risk management aims at organizing, assessing and monitoring the liquidity risk to which the Institution is exposed, establishing the processes, tools and limits required for creating and assessing prospective liquidity scenarios and tracking the risk appetite levels set by Senior Management.

#### Definition

Liquidity risk is defined as:

- i. Possibility that the Conglomerate may not be able to efficiently meet its expected and unexpected (current and future) obligations, including those arising from binding guarantees, without affecting its daily operations and incurring material losses; and
- ii. Possibility that the Conglomerate may not be able to trade a position at market price due to its large size in relation to the usually traded volume, or due to market discontinuity.

#### Basic Principles

In line with CMN Resolution 4.557/17, the Bank has institutional policies and structure for managing liquidity risk approved by the Board of Directors. The information about the liquidity risk management structure contained herein is in line with these policies. The basic principles seen in management and control were established in accordance with current regulations and market practices, as follows:

- i. Maintaining an adequate level of unobstructed assets with a high degree of monetization, and using a liquidity reference parameter (target cash);
- ii. Management of the time gap between liabilities and assets, funding and granted loans, optimizing the allocation of own funds and minimizing liquidity risk;
- iii. Optimization of the diversification of funding sources by monitoring the concentration of funding providers and by the compensation in conformity with the levels adopted in the market for third party's funds, and the return level expected by shareholders for own funds.

#### Governance and Areas Involved

The monitoring of liquidity risk management activities is an integral part of the duties of the following collegiate bodies:

- **Board of Directors:** responsible for setting the basic guidelines of the Institution's liquidity general policy, and for checking and monitoring whether they are being complied with; responsible for defining the Institution's Risk Appetite; and responsible for approving the Liquidity Risk Limits and the Liquidity Contingency Plan.
- **Control and Risk Committee:** responsible for ratifying and monitoring the liquidity risk appetite, monitoring the cash level, and deciding strategies for liquidity management, control and contingencies.
- **ALM and Tax Committee:** Responsible for evaluating and proposing initiatives to protect and maximize the structural balance of the Bank under an economic and financial point of view, accounting and tax.

Liquidity risk management includes a set of activities that permeate the entire business chain from product development, trading and disbursement, liquidity risk modeling and control and the formalization, accounting records and disbursement of transactions, as well as monitoring the effectiveness of processes and controls used. They are performed by formally set up units with technically qualified staff, under separate management, with clearly defined responsibilities. This structure is composed of teams from the Credit and Risk Board of Executive Officers, the Treasury Board of Executive Officers, and the Finance and Investor Relations Board of Executive Officers.

#### Measurement system and communication process

The Institution has corporate systems for measuring and controlling liquidity risk, combining internally developed applications with market solutions of proven robustness. These systems deploy integrated treatment of information on a sequential basis:

- Capture of the recording of the transactions carried out and their registration data;
- Continuous update and filing of this information based on structured databases, monitoring their accounting integrity and consistency;
- Assessment of the liquidity profile, by calculating the rollover and maturity of transactions, in accordance with the assumptions of the various scenarios under analysis.

In addition, the Bank has a structured process for reporting liquidity-risk management related issues. This communication process comprises:

- Periodically issuing objective reports showing liquidity scenarios and evolution of the profile of funding portfolios, and showing levels of use of authorized limits;
- Periodic joint follow-up forums, in compliance with the decision-making levels, where the issues under analysis are discussed by the participants.

### **Fundraising Strategy**

The institution raises funds through various financial instruments, which individually have different characteristics that should be mapped out and managed to ensure suitable levels of liquidity.

The institution possesses managed funding indicators in place, aimed at assisting in the management of structural liquidity and promoting the diversification of funding. These indicators are monitored daily by the areas involved and reported monthly to the Controls and Risk Committee and the ALM and Tax Committee.

### **Stress testing**

The Institution carries out several liquidity sensitivity assessments in different stress scenarios (non-integrated scenarios), using internal liquidity metrics.

The purpose of the liquidity sensitivity assessments is to:

- i. analyze whether the Institution has a suitable level of liquidity to withstand eventual liquidity crises amid stress scenarios;
- ii. evaluate the capacity of the Institution to efficiently meet its expected and unexpected (current and future) obligations, including those arising from binding guarantees, without affecting its daily operations and incurring material losses;
- iii. The methodologies required for monitoring and adjusting to the cash flow liquidity risk tolerance levels are decided by the ALM Committee. The criteria for defining the premises are established based on the Institution's historical liquidity levels in normal and stress environments, measured daily to reflect its current asset and liability structure.

The Institution has internal rules that establish contingency actions for liquidity in stress scenarios and define the metrics used to establish limits.

In addition to this test, liquidity is assessed in the stressed macroeconomic scenario as defined in the integrated stress test. The primary objective of this assessment is:

- I. to analyze whether the Institution has an adequate level of liquidity to withstand possible macroeconomic crises;
- II. evaluate the capacity of the Institution to efficiently meet its expected and unexpected (current and future) obligations, including those arising from binding guarantees, without affecting its daily operations and incurring material losses.

### **Liquidity contingency plan**

The Liquidity Contingency Plan is reviewed and deliberated on annually by the Board of Directors, and is deployed whenever the projected liquidity is considered insufficient, considering the metrics of the Liquidity Reference Limit, Minimum Operating Cash, Risk Appetite for LCR. If the projected liquidity is below the metrics for relevant periods, the Institution's Liquidity Contingency Plan is deployed.

Considering the cash position available in the short term, which comprises the projected cash flow in the 30- and 90-day period following the analysis base-date, contingency actions are prioritized through alert ranges — from "A" (low risk) to "E" (high risk). Thus, depending on the severity of the risk, there is an escalation of the governance forum involved.

### **Risk Measures and Limits for Management and Control**

The Institution has a set of objective measures to manage and control liquidity risk. The liquidity limits are established by the Referential Liquidity Limit, the Minimum Operating Cash, and the Risk Appetite for the LCR. These limits comprise the definition of the maximum authorized amounts through the establishment of minimum cash limits and contingency measures. The Market and Liquidity Risk area is responsible for the daily monitoring of liquidity risk and for notifying the competent forums in the event of an increase in risk.

Amounts established in liquidity limits and the contingency plan are periodically updated and reviewed as a result of significant change in market conditions or in the dynamics and breakdown of portfolios.

## Referential Limit of Liquidity and Minimum Operating Cash

- The Referential Liquidity Limit and Minimum Operating Cash comprise the establishment of minimum acceptable intervals and levels, configuring prospective limits for adverse liquidity scenarios;
- Maturity scenarios: consist of the calculation of the future liquidity profile, based on the general maturity assumption of the current portfolios and all cash flows;
- Budgetary scenarios: consist of the calculation of the future liquidity profile, using assumptions which are consistent with the budgetary planning, based on the general rollover assumption of the current portfolios;
- Stress scenarios: include simulations of impact on portfolios arising from extreme market conditions and/or the dynamics and composition of portfolios, which may change significantly, and the projections for liquidity scenarios of the Bank;
- Sensitivity analyses: comprise simulations of the sensitivity of the future liquidity profile to slight fluctuations in market conditions and/or the dynamics and composition of the portfolios; and
- Funding Concentration Profile: includes monitoring the concentration profile of the portfolios in terms of volumes, timing, tools, threads and counterparties.

### 16) LIQ1: Liquidity Coverage Ratio (LCR)

BACEN Circular Letter 3.749/15 establishes the methodology for calculating the Liquidity Coverage Ratio (LCR). This Circular Letter is in line with the recommendations contained in the Basel III documents, published with the aim of showing that large financial institutions have high liquidity resources to withstand a scenario of standardized month-long acute financial stress, through pre-established criteria in the regulations.

The LCR, as defined by the Circular Letter, is the ratio between the stocks of high-quality liquid assets (HQLA) and the total net cash outflows planned for a 30-day period.

In accordance with Circular Letter 3.905/18, the Institution started to send to the Brazilian Central Bank the calculation of the LCR referring to the last business day of each month, in the specific layout for institutions in the S2 segment. It is worth emphasizing that, in the management controls, the Institution maintained the daily calculation of the index internally, using the same weights used by institutions in the S1 segment. The Institution established the risk appetite for the LCR, which consists of comparing the current LCR and the projection of the index for the next six months with a pre-established minimum index. Additionally, it is important to emphasize that the Bank has a credit facility at Banco do Brasil since 2009, which represents a significant liquidity reserve and that has never been used.

Base Date: Dec-21  
 Quarterly Update  
 Prudential Consolidated - R\$ million

|   |  | Total unweighted value | Total weighted value |
|---|--|------------------------|----------------------|
| <b>High Quality Liquidity Assets (HQLA)</b> |  |                        |                      |
| 1   | Total High Quality Liquid Assets (HQLA)  |                        | 13.072               |
| <b>Cash Outflows</b>                        |  |                        |                      |
| 2   | Retail deposits and deposits from small business customers, of which:  | 1.256                  | 227                  |
| 3   | Stable deposits  | 0                      | 0                    |
| 4   | Less stable deposits   | 1.256                  | 227                  |
| 5   | Unsecured wholesale funding, of which:   | 12.342                 | 6.159                |
| 6   | Operational deposits (all counterparties) and deposits in networks of cooperative banks                                    | 0                      | 0                    |
| 7   | Non-operational deposits (all counterparties)  | 12.137                 | 5.954                |
| 8   | Unsecured debt   | 205                    | 205                  |
| 9   | Secured wholesale funding  | 0                      | 1.318                |
| 10  | Additional requirements, of which:   | 4.592                  | 435                  |
| 11  | Outflows related to derivative exposures and other collateral requirements   | 480                    | 229                  |
| 12  | Outflows related to loss of funding on debt products   | 0                      | 0                    |
| 13  | Credit and liquidity facilities  | 4.112                  | 206                  |
| 14  | Other contractual funding obligations  | 1.522                  | 1.522                |
| 15  | Other contingent funding obligations   | 7.701                  | 409                  |
| <b>16</b>                                   | <b>Total Cash Outflows</b>   | <b>27.413</b>          | <b>10.070</b>        |
| <b>Cash Inflows</b>                         |  |                        |                      |
| 17  | Secured lending (eg reverse repos)   | 2.326                  | 1                    |
| 18  | Inflows from fully performing exposures  | 2.268                  | 1.466                |
| 19  | Other cash inflows   | 2.579                  | 2.493                |
| <b>20</b>                                   | <b>TOTAL CASH INFLOWS</b>  | <b>7.173</b>           | <b>3.960</b>         |
| <b>Adjusted Total value</b>                 |  |                        |                      |
| <b>21</b>                                   | <b>Total HQLA</b>  |                        | <b>13.072</b>        |
| <b>22</b>                                   | <b>Total net cash outflows</b>   |                        | <b>6.110</b>         |
| <b>23</b>                                   | <b>Liquidity Coverage Ratio (%)</b>  |                        | <b>213,9%</b>        |
| Comments                                    | Considering the simple average of the closing dates of the months of october, november and december 2021 (3 observations). |                        |                      |

## VI. Credit risk

### 17) CRA: Qualitative information on credit risk management

The aim of credit risk management is to provide support for Senior Management in the decision-making process by defining strategies and policies and establishing operational limits, risk mitigation tools and procedures to maintain credit risk exposure within levels deemed acceptable by the Institution's management.

#### Definition

Credit risk is defined as the possibility of losses associated with the following:

- a. Non-compliance by the counterparty (the borrower of funds, the guarantor, or the issuer of the security acquired) of its obligations under the agreed-upon terms;
- b. Devaluation, reduction in earnings and expected gains on financial instruments resulting from the deterioration of the credit quality of the counterparty, the intervening party, or the mitigating instrument;
- c. Restructuring financial instruments; or
- d. Costs of recovering problematic asset exposures.

#### Basic Principles

In line with CMN Resolution 4.557/17, the Bank has institutional policies and structure for credit risk management approved by the Board of Directors. The information on the credit risk management structure contained herein is in line with these policies. The basic principles seen in management and control were established in accordance with current regulations and market practices, as follows:

- Manuals and procedures containing the organizational structure, significant products, corporate policies, standards and procedures including flowcharts and rules related to the governance, business and credit support processes;
- Technological environment encompassing the credit cycle ranging from risk admission, tracking and monitoring, to restructuring when applicable;
- Validation process covering risks related to systems, accuracy of models used for calculations and quality of processed data, as well as the coverage of the documentation;
- Committee structure and powers for approving credit;
- Criteria and procedures for selecting clients and preventing money laundering;
- Credit analysis, lending and management standards;
- Procedures for review, approval and release of new products involving credit risk;
- Document procedures for credit policy exceptions;
- Classification of the portfolio according to risk levels, considering the clients' rating, the guarantees involved, terms and delays of the operations;
- Tracking sector and conglomerate concentration, and monitoring internal and regulatory limits defined by policies and rules;
- Managing counterparty credit risk and limits for derivatives;
- Evaluating risk in transactions for sales or transfer of assets;
- Formalized procedures covering credit recovery flows;
- Setting limits for carrying out transactions subject to credit risk, both individually and at the aggregate level - a group of companies with common economic interest - and for borrowers or counterparties with similar characteristics;
- Control of guarantees and instruments for mitigating credit risk;
- Monitoring of the loan portfolio using indicators with the objective of minimizing the risk of losses;
- Performance of stress tests, measuring the combined effect of adverse movements in macroeconomic indicators, estimating financial impacts affecting delinquency, provisions and consequently, available and required capital; and
- Periodic reporting to Senior Management addressing the performance indicators of risk management based on the policies and strategies adopted.

In addition, credit risk management activities are carried out by specific control units, strengthening the performance with independence in relation to their trading units.



## Governance and Areas Involved

Credit risk management activities include a number of strategic, tactical and operational activities permeating the entire business chain, from product development, setting limits, portfolio management, management information, provisions, collection and credit recovery, as well as monitoring the effectiveness of processes and controls used. The main areas involved in the credit risk management process are contained in the Credit and Risk Board of Executive Officers, the Corporate & Investment Banking Board of Executive Officers, and the Client's Board of Executive Officers.

## Credit Risk Strategy

The credit risk management process has several documents that establish the main guidelines that are to be observed in risk management activities, the most important of which are:

- **Credit concession policy:** aims to establish guidelines to assure that the Institution's loans are in line with the defined strategies, minimizing losses and ensuring compliance with legal determinations and banking supervision requirements, determining committees and Credit approval limits.
- **Credit Levels Policy:** aims to define the composition, scope, operation and approval authority limits of the Credit Committees for the Corporate & Investment Banking (CIB), Financial Institution, Private Banking, and Consumer Finance segments.
- **Credit Risk Management Structure Policy:** aims to define the structure for credit risk management, both for operations classified in the trading portfolio and for operations not classified in the trading portfolio of Banco BV and its subsidiaries
- **Risk and Capital Management Policy:** aims to establish guidelines for the Prudential Conglomerate to define, systematize, and standardize risk and capital management as well as the disclosure of information, the calculation of the value of risk-weighted assets, and the capital adequacy.

## Communication and Reporting

The portfolio management process consists of consolidating measurement and control reports on the credit portfolio's exposures submitted to senior management. Information collection and consolidation are performed through standardized consultations developed in tools designed for data extraction, transformation and loading, using the corporate management and accounting systems as sources.

Among the main reporting in the wholesale segment, we spotlight the consolidated information of the Institution's credit risk portfolio by segment; volume of exposure to credit risk and delinquency/default by business area and economic groups; and consolidated information of sector concentration and economic group. As for the Consumer Finance segment, the main reporting that involves senior management encompass topics such as concession volume, portfolio (per product) and indicators in a broad and specific view, per product.

Regarding the monitoring of the structure of credit risk metrics (wholesale and consumer finance), the Managed Indicators Cockpit is reported monthly by the Controls and Risk Committee (CRC), which has an exclusive dimension to address the issue, and uses portfolio indicators as well as indicators of arrears, production, losses, among others.

## 18) CR1: Credit quality of exposures

|  |                               | Gross carrying values of |                              | Allowances, Unearned Revenues and ECL accounting provision (c) | Net values (a+b-c) |
|--|-------------------------------|--------------------------|------------------------------|--|--------------------|
|  |                               | Defaulted exposures (a)  | Non- defaulted exposures (b) |  |                    |
| <i>Base Date: Dec-21</i>                     |                               |                          |                              |  |                    |
| <i>Half-yearly Update</i>                    |                               |                          |                              |  |                    |
| <i>Prudential Consolidated - R\$ million</i> |                               |                          |                              |  |                    |
| 1  | Loans                         | 2.292                    | 64.275                       | 5.540  | 61.027             |
| 2  | Debt Securities               | 50                       | 32.136                       | 867  | 31.319             |
| 2a   | in which: Sovereigns          | -                        | 27.963                       | -  | 27.963             |
| 2b   | in which: Other Debts         | 50                       | 4.173                        | 867  | 3.356              |
| 3  | Off - balance sheet exposures | 12,39                    | 13.315                       | 201  | 13.126             |
| 4  | <b>Total</b>                  | <b>2.355</b>             | <b>109.726</b>               | <b>6.609</b>   | <b>105.472</b>     |

## 19) CR2: Changes in Stock of defaulted loans and debts securities

| Base Date: Dec-21<br>Half-yearly Update<br>Prudential Consolidated - R\$ million |  | (a)<br>Total |
|--|--|--------------|
| 1  | Defaulted loans and debt securities at end of the previous reporting period <sup>1</sup> | 2.188        |
| 2  | Loans and debt securities that have defaulted since the last reporting period            | 2.469        |
| 3  | Amount returned to non-defaulted status  | -773         |
| 4  | Amount written off   | -912         |
| 5  | Other changes  | -617         |
| <b>6</b>   | <b>Defaulted loans and debt securities at end of the reporting period</b>                | <b>2.355</b> |

1 - Refers to the closing of the previous semester

## 20) CRB: Additional information on the credit quality of the exposures

### Exposure by Economic Sector

Exposure by Economic Sector

Base Date: Dec-21  
Annual Update  
Prudential Consolidated - R\$ million

| Economic Sector                      | Total Exposure |                |
|--------------------------------------|----------------|----------------|
|                                      | Gross Exposure | Net Exposure   |
| <b>Retail</b>                        | <b>57.327</b>  | <b>53.140</b>  |
| <b>Wholesale</b>                     | <b>54.753</b>  | <b>52.332</b>  |
| <b>Public Sector</b>                 | <b>29.455</b>  | <b>29.455</b>  |
| Central Economies                    | 29.455         | 29.455         |
| <b>Private Sector</b>                | <b>25.299</b>  | <b>22.877</b>  |
| FINANCIAL INSTITUTION                | 3.674          | 3.673          |
| SUGAR AND ALCOHOL                    | 1.568          | 1.503          |
| PMES                                 | 1.088          | 1.057          |
| PROJECT FINANCE                      | 1.080          | 1.077          |
| TELECOMMUNICATIONS                   | 894            | 751            |
| COOPERATIVES                         | 893            | 891            |
| NAVIGATION                           | 875            | 270            |
| CIVIL CONSTRUCTION - INCORPORATION   | 875            | 326            |
| ASSEMBLER / AUTO-PARTS               | 865            | 845            |
| NON-ESSENTIAL RETAIL                 | 810            | 693            |
| AGROCHEMISTRY / IMPL./SEEDS AND REV. | 765            | 754            |
| ELECTRIC POWER GENERATION            | 739            | 739            |
| CIVIL CONSTRUCTION - HEAVY           | 733            | 170            |
| OIL & GAS PRODUCTION                 | 644            | 644            |
| LESSORS                              | 623            | 606            |
| FOOD INDUSTRY / DRINKS               | 609            | 596            |
| INDUSTRY                             | 563            | 561            |
| CONSUMER GOODS INDUSTRY              | 496            | 491            |
| HOLDINGS NOT IF                      | 460            | 456            |
| ESSENTIAL RETAIL                     | 449            | 449            |
| OTHER SECTORS                        | 6.596          | 6.328          |
| <b>Total</b>                         | <b>112.081</b> | <b>105.472</b> |

Base Date: Dec-21  
Annual Update  
Prudential Consolidated - R\$ million

| Economic Sector        | Defaulted Exposures <sup>1</sup> |              |
|------------------------|----------------------------------|--------------|
|                        | Gross Exposure                   | Provision    |
| <b>Retail</b>          | <b>2.278</b>                     | <b>1.852</b> |
| <b>Wholesale</b>       | <b>77</b>                        | <b>60</b>    |
| <b>Public Sector</b>   | <b>0</b>                         | <b>0</b>     |
| Central Economies      | 0                                | 0            |
| <b>Private Sector</b>  | <b>77</b>                        | <b>60</b>    |
| RURAL PRODUCER         | 25                               | 25           |
| PMES                   | 15                               | 9            |
| CAPITAL GOODS          | 14                               | 14           |
| FINANCIAL INSTITUTION  | 12                               | 0            |
| FOOD INDUSTRY / DRINKS | 12                               | 12           |
| <b>Total</b>           | <b>2.355</b>                     | <b>1.911</b> |

1 - Overdue exposures more than 90 days

## Exposures by geographic region in Brazil and abroad

| Geographic Region     | Total Exposure |                | Geographic Region   | Defaulted Exposures <sup>1</sup> |              |
|-----------------------|----------------|----------------|---------------------|----------------------------------|--------------|
|                       | Gross Exposure | Net Exposure   |                     | Gross Exposure                   | Provision    |
| Mid-West              | 30.696         | 30.328         | Mid-West            | 186                              | 176          |
| Northeast             | 7.279          | 6.705          | Northeast           | 282                              | 230          |
| North                 | 2.640          | 2.471          | North               | 77                               | 62           |
| Southeast             | 56.336         | 51.671         | Southeast           | 1.381                            | 1.099        |
| South                 | 13.152         | 12.342         | South               | 428                              | 344          |
| <b>Total Brasil</b>   | <b>110.104</b> | <b>103.517</b> | <b>Brazil Total</b> | <b>2.355</b>                     | <b>1.911</b> |
| <b>Total Exterior</b> | <b>1.977</b>   | <b>1.955</b>   | <b>Abroad Total</b> | <b>0</b>                         | <b>0</b>     |
| <b>Total Geral</b>    | <b>112.081</b> | <b>105.472</b> | <b>Total</b>        | <b>2.355</b>                     | <b>1.911</b> |

1 - Overdue exposures more than 90 days

## Exposures by aging

| Remaining Maturity | Total Exposure |                |
|--------------------|----------------|----------------|
|                    | Gross Exposure | Net Exposure   |
| Up to 6 months     | 61.073         | 57.981         |
| 6 to 12 months     | 4.068          | 3.783          |
| 1 to 5 years       | 45.567         | 42.369         |
| above 5 years      | 1.372          | 1.338          |
| <b>Total</b>       | <b>112.081</b> | <b>105.472</b> |

## Provisions and write-offs for losses

|                        | Provisions and amounts whitten off |
|------------------------|------------------------------------|
| <b>Opening balance</b> | <b>5.015</b>                       |
| To form / to reverse   | 2.836                              |
| Amounts written off    | -2.310                             |
| <b>Final Balance</b>   | <b>5.540</b>                       |

## Delayed exposures segmented by ranges of arrears

| Ranges             | Overdue amounts |
|--------------------|-----------------|
|                    | Gross Portfolio |
| Less than 30 days  | 5.308           |
| 31 to 90 days      | 2.415           |
| 91 to 180 days     | 1.067           |
| 181 to 365 days    | 1.231           |
| Above 365 days     | 57              |
| <b>Total Geral</b> | <b>10.078</b>   |

## Restructured exposures

Base Date: Dec-21  
Annual Update  
Prudential Consolidated - R\$ million

| Ranges                 | Defaulted Exposures <sup>1</sup> | Others |
|------------------------|----------------------------------|--------|
| Restructured Exposures | -                                | 629    |

1 - Overdue exposures more than 90 days

## Credit concentration risk

The credit concentration risk is defined as the possibility of losses in view of significant exposures to a counterparty, a group of counterparties and economic sectors.

The Institution has credit concentration risk assessment processes for the wholesale and consumer finance portfolios, mainly through the monitoring of portfolios by different dimensions and internal segments, revealed in several reports. Furthermore, the Bank has rules that limit exposure to counterparties and economic sectors, and monitors some of these credit concentration risk indicators monthly through the Risk Appetite Dashboard.

The table below shows the evolution of credit exposures segregated by the range of largest borrowers of operations with credit concession characteristics, in amounts and percentage of total exposure, according to definitions established by Circular Letter 3.644:

Base Date: Dec-21  
Annual Update  
Prudential Consolidated - R\$ million

| Ranges              | Largest Exposure <sup>1</sup> |                |
|---------------------|-------------------------------|----------------|
|                     | Gross Portfolio               | % of portfolio |
| 10 largest debtors  | 30.138                        | 26,9%          |
| 100 largest debtors | 39.980                        | 35,7%          |

1 - Scope of table CR1: Granting of Credit, Debt Securities and Transactions not accounted for in the Balance !

## 21) CRC: Information on credit risk mitigation instruments

The Institution classifies collateral (guarantees) risk in the context of the material risk matrix. It is defined as the possibility of losses in view of the value deterioration, the impossibility of performance, the failure in the formalization, and lack of the liquidity of the collateral granted to certain financial liability negotiated with the Conglomerate.

The collateral risk management is intrinsically related to credit risk, regarding both credit grant, control, management and monitoring process and the Loss Given Default (LDG) parameter determination, which is used for economic capital calculation and studies.

Banco BV has a governance structure for credit risk management arranged in Committees formed by executives who periodically monitor the credit risk appetite, concentrations by sector and by economic group, portfolio exposure limits, contingencies related to credit risk management, and others. In addition to the credit strategies and rules, the Institution has policies related to the enforceability, formalization and monitoring of guarantees to support the credit concession operations; these are also assessed by these forums, which are responsible for assessing the credit risk measurement and mitigation methodologies. For credit risk mitigating instruments to be considered, the guarantees must comply with internal and external requirements.

In the scope of the Consumer Finance portfolio, guarantees represent a major risk mitigator of the operation, given the peculiarity and relevance of the Vehicles product on the total portfolio. In the credit granting process, the guarantees are evaluated together with other information necessary for credit approval, and are subject to an automatic process to control the value of the asset, which consists of verifying (through consultation with external bases) whether the value of the vehicle informed in the proposal is equivalent to the market value. In the monitoring stage, specific indicators are considered to assess the efficiency of coverage of guarantees.

The guarantees associated with the operation of the Wholesale portfolio are assessed and classified together with the other information necessary for approval of the credit limit, and taking into account some relevant factors in their definition, such as: the risk represented by

the client/operation; the practicality and the costs incurred in their formation; liquidity: amount of the guarantee in relation to the debt amount; and control by the creditor over their own guarantee. Guarantees are classified according to their mitigating power.

The recognition of mitigating instruments in calculating the portion of assets weighted by credit risk (RWACPAD), meets the requirements set out in Circular Letter 3.809/16, including the use of a bilateral agreement for the clearing and settlement of obligations.

## 22) CR3: Overview of credit risk mitigation techniques

*Base Date: Dec-21  
Half-yearly Update  
Prudential Consolidated - R\$ million*

|          |                       | Unsecured Exposures <sup>1</sup> | Secured Exposures <sup>2</sup> | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
|----------|-----------------------|----------------------------------|--------------------------------|---------------------------------|---|---|
| 1        | Loans                 | 60.774                           | 252                            | 252                             | -   | -                                       |
| 2        | Debt securities       | 31.310                           | 9,3                            | 9,3                             | -   | -                                       |
| I        | in which: Sovereigns  | 5.794                            | 279                            | 279                             | -   | -                                       |
| II       | in which: Other Debts | 10.599                           | 0                              | 0                               | -   | -                                       |
| <b>3</b> | <b>Total</b>          | <b>108.476</b>                   | <b>540</b>                     | <b>540</b>                      | <b>-</b>                                  | <b>-</b>                                |
| 4        | Of which defaulted    | 438                              | -                              | -                               | -   | -                                       |

1 - The exposure amount less the advances received, provisions and unearned income is considered, according to the instructions provided in the Layout of the Tables of the Pillar 3 Report - Banco Central do Brasil website

2 - The mitigating instruments contemplated in this table are those foreseen in BACEN No. 3,809

## 23) CR4: Standardized approach – exposures and effects of credit risk mitigation

*Base Date: Dec-21  
Half-yearly Update  
Prudential Consolidated - R\$ million*

|           | Asset classes  | Exposures before CCF and mitigation |                               | Exposures post-CCF and mitigation |                               | RWA and RWA density |                                     |
|-----------|--|-------------------------------------|-------------------------------|-----------------------------------|-------------------------------|---------------------|-------------------------------------|
|           |  | On- balance sheet amount (a)        | Off- balance sheet amount (b) | On- balance sheet amount (c)      | Off- balance sheet amount (d) | RWA (e)             | Off- balance sheet amount [e/(c+d)] |
| 1         | Sovereigns and their central banks                                       | 30.126                              | -                             | 30.126                            | -                             | -                   | 0%                                  |
| 2         | Non-central government public sector entities                            | -                                   | -                             | -                                 | -                             | -                   | 0%                                  |
| 3         | Multilateral development banks   | 0                                   | -                             | 0                                 | -                             | -                   | 0%                                  |
| 4         | Banks and other Financial Institutions authorized by Brazil Central Bank | 6.619                               | -                             | 5.468                             | -                             | 1.554               | 28%                                 |
| 6         | Corporates   | 21.116                              | 1                             | 18.901                            | 1                             | 17.074              | 90%                                 |
| 7         | Regulatory retail portfolios   | 53.383                              | -                             | 48.707                            | -                             | 36.549              | 75%                                 |
| 8         | Secured by residential property  | 21,93                               | -                             | 21,93                             | -                             | 8                   | 35%                                 |
| 9         | Secured by commercial real estate  | 7                                   | -                             | 7                                 | -                             | 6                   | 75%                                 |
| 10        | Equity stake   | 2.970                               | -                             | 2.970                             | -                             | 2.220               | 75%                                 |
| 13        | Other assets   | 1.825                               | -                             | 1.777                             | -                             | 211                 | 12%                                 |
| <b>14</b> | <b>Total</b>   | <b>116.069</b>                      | <b>1,21</b>                   | <b>107.979</b>                    | <b>1</b>                      | <b>57.621</b>       | <b>53%</b>                          |

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

Base Date: Dec-21  
Half-yearly Update  
Prudential Consolidated - R\$ million

|    | Asset classes  | Risk weight (FPR) |          |              |           |              |               |               |              |             | j<br>Total credit exposures amount (post CCF and post-mitigation) |                |
|----|--|-------------------|----------|--------------|-----------|--------------|---------------|---------------|--------------|-------------|---|----------------|
|    |  | a<br>0%           | b<br>10% | c<br>20%     | d<br>35%  | e<br>50%     | f<br>75%      | f1<br>85%     | g<br>100%    | i<br>Outros |   |                |
| 1  | Sovereigns and their central banks                                       | 30.126            | -        | -            | -         | -            | -             | -             | -            | -           | -   | 30.126         |
| 2  | Non-central government public sector entities                            | -                 | -        | -            | -         | -            | -             | -             | -            | -           | -   | -              |
| 3  | Multilateral development banks   | -                 | -        | -            | -         | -            | -             | -             | -            | -           | -   | -              |
| 4  | Banks and other Financial Institutions authorized by Brazil Central Bank | 341               | -        | 3.364        | -         | 1.763        | -             | -             | -            | -           | -   | 5.468          |
| 6  | Corporates   | -                 | -        | -            | -         | 193,97       | -             | 12.205        | 6.759        | -           | -   | 19.158         |
| 7  | Regulatory retail portfolios   | -                 | -        | -            | -         | -            | 48.622        | 19            | 66           | -           | -   | 48.707         |
| 8  | Secured by residential property  | -                 | -        | -            | 22        | -            | -             | -             | -            | -           | -   | 21,93          |
| 9  | Secured by commercial real estate  | -                 | -        | -            | -         | -            | 7             | -             | -            | -           | -   | 7              |
| 10 | Equity stake   | -                 | -        | -            | -         | -            | -             | -             | 2.970        | -           | -   | 2.970          |
| 13 | Other assets   | 1.092             | -        | 241          | -         | 4            | -             | -             | -            | 184         | -   | 1.521          |
| 14 | <b>Total</b>   | <b>31.559</b>     | <b>-</b> | <b>3.605</b> | <b>22</b> | <b>1.962</b> | <b>48.630</b> | <b>12.224</b> | <b>9.795</b> | <b>184</b>  | <b>-</b>  | <b>107.980</b> |

## VII. Counterparty's Credit Risk

### 25) CCRA: Qualitative information on counterparty credit risk (CCR) management

The counterparty's credit risk is defined as the possibility of losses arising from non-fulfillment of obligations related to the settlement of transactions involving bilateral flows, including the trading of financial assets or derivatives. The Conglomerate manages the credit risk of the counterparty based on the monitoring of the exposures that are associated with this risk type and determines the regulatory capital.

For the Institution, the counterparty's credit risk is mainly present in over-the-counter derivative operations, without a central counterparty, and in repurchase operations. The amounts of operations to be settled and loans of assets are of low materiality. Specific classifications and treatments are performed for derivative operations with regards the existence of a central counterparty.

- **Transactions with no central counterparty:** The management/control process for derivative transactions without a central counterparty is performed by defining specific credit limits for these transactions for each client. The credit policies and standards adopted by the Institution are employed both in the definition and in the periodic tracking of these limits.
- **Transactions with central counterparty:** operations with a central counterparty have contract clauses (margin calls, etc.) that mitigate the counterparty credit risk.

The Institution has structures dedicated to managing limits, aimed at monitoring the behavior of the portfolio and reporting to Senior Management, through periodic reports using the Committees structure, the level of exposure, and any extrapolations.

To improve counterparty credit risk management and mitigation in over-the-counter derivatives, the Institution, through its Product Governance structure, uses the implementation of derivative transactions governed by counterparty credit risk mitigation contracts, such as DCRR (Derivatives with Credit Risk Reducer) and CSA (Credit Support Annex).

## 26) CCR1: Analysis of CCR exposures by approach

| Base Date: Dec-21<br>Half-yearly Update<br>Prudential Consolidated - R\$ million |  | Replacement cost | Potential future exposure | Multiplier applied to the calculation of EAD | EAD post mitigation | RWA          |
|--|--|------------------|---------------------------|--|---------------------|--------------|
| 1  | SA-CCR Approach  | -                | -                         | 1.4  | -                   | -            |
| 1.1  | CEM Approach   | 3.560            | 652                       |  | 2.061               | 1.316        |
| 3  | Simple Approach for CCR mitigation (for SFTs and asset loans)        |                  |                           |  | -                   | -            |
| 4  | Comprehensive Approach for CCR mitigation (for SFTs and asset loans) |                  |                           |  | 506                 | 453          |
| 6  | <b>Total</b>   |                  |                           |  |                     | <b>1.768</b> |

## 27) CCR3: Standardized approach – CCR exposures by regulatory portfolio and risk weights

| Base Date: Dec-21<br>Half-yearly Update<br>Prudential Consolidated - R\$ million |  | Risk weight (FPR) |     |     |       |     |     |      |      |        | i     |
|--|--|-------------------|-----|-----|-------|-----|-----|------|------|--------|-------|
| Counterpart  |  | a                 | b   | c   | d     | e   | e1  | f    | g    | h      | Total |
|  |  | 0%                | 10% | 20% | 50%   | 75% | 85% | 100% | 150% | Others |       |
| 1  | Sovereigns   | -                 | -   | -   | -     | -   | -   | -    | -    | -      | -     |
| 2  | Non-central government public sector entities                            | -                 | -   | -   | -     | -   | -   | -    | -    | -      | -     |
| 3  | Multilateral development banks   | -                 | -   | -   | -     | -   | -   | -    | -    | -      | -     |
| 4  | Banks and other Financial Institutions authorized by Brazil Central Bank | -                 | -   | 9   | 1.284 | -   | -   | -    | -    | -      | 1.293 |
| 5  | Corporates   | -                 | -   | -   | -     | -   | 993 | 279  | -    | -      | 1.272 |
| 6  | Regulatory retail portfolios   | -                 | -   | -   | -     | -   | -   | -    | -    | -      | -     |
| 7  | Other Counterparties   | -                 | -   | -   | -     | -   | -   | 1    | -    | -      | 1     |
| 8  | <b>Total</b>   | -                 | -   | 9   | 1.284 | -   | 993 | 280  | -    | -      | 2.567 |

## 28) CCR5: Financial collateral associated with counterparty's credit risk exposures

| Base Date: Dec-21<br>Half-yearly Update<br>Prudential Consolidated - R\$ million |                          | Collateral used in derivative transactions |              |                                 |              | Collateral used in SFTs and asset loans |                                 |
|--|--------------------------|--|--------------|---------------------------------|--------------|---|---------------------------------|
| Collateral   |                          | Fair value of collateral received          |              | Fair value of posted collateral |              | Fair value of collateral received       | Fair value of posted collateral |
|  |                          | Segregated                                 | Unsegregated | Segregated                      | Unsegregated |   |                                 |
| 1  | Cash - domestic currency | -  | -            | -                               | -            | 16.438                                  | -                               |
| 2  | Cash - other currencies  | -  | -            | -                               | -            | -                                       | -                               |
| 3  | Domestic sovereign debt  | 793  | -            | -                               | -            | 3.530                                   | -                               |
| 4  | Government agency debt   | -  | -            | -                               | -            | -                                       | -                               |
| 5  | Corporate bonds          | -  | -            | -                               | -            | -                                       | -                               |
| 6  | Equity securities        | -  | -            | -                               | -            | -                                       | -                               |
|  | <b>Total</b>             | 793  | -            | -                               | -            | 19.969                                  | -                               |

## 29) CCR6: Information on counterparty's credit risk associated with credit derivatives

There was no exposure for the reference base date.

### 30) CCR8: CCR associated with Exposures to central counterparties

| Base Date:Dec-21<br>Half-yearly Update<br>Prudential Consolidated - R\$ million |   | Exposure after mitigation | RWA       |
|---|---|---------------------------|-----------|
| <b>1</b>  | <b>Exposures to qualifying CCPs (QCCPs total)</b>   |                           | <b>60</b> |
| 2   | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which     | 463                       | 9         |
| 3   | (i) over-the-counter (OTC) derivatives  | 463                       | 9         |
| 4   | (ii) Exchange-traded derivatives  | -                         | -         |
| 5   | (iii) Securities financing transactions   | -                         | -         |
| 6   | (iv) Netting sets where cross-product netting has been approved                                       | -                         | -         |
| 7   | Segregated initial margin   | -                         | -         |
| 8   | Non-segregated initial margin   | 1.565                     | 31        |
| 9   | Pre-funded default fund contributions   | 52                        | 20        |
| <b>11</b>   | <b>Exposures to non-QCCPs (total)</b>   |                           | <b>-</b>  |
| 12  | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | -                         | -         |
| 13  | (i) over-the-counter (OTC) derivatives  | -                         | -         |
| 14  | (ii) Exchange-traded derivatives  | -                         | -         |
| 15  | (iii) Securities financing transactions   | -                         | -         |
| 16  | (iv) Netting sets where cross-product netting has been approved                                       | -                         | -         |
| 17  | Segregated initial margin   | -                         | -         |
| 18  | Non-segregated initial margin   | -                         | -         |
| 19  | Pre-funded default fund contributions   | -                         | -         |

## VIII. Securitization

### 31) SECA: Qualitative information on the risk management of securitization exposures

According to Circular Letter 3.648/13 issued by the Brazilian Central Bank (BACEN), the securitization process is defined as the use of a flow of receipts associated with a set of underlying assets for the compensation of structured securitization securities, which may have different classes that reflect payment prioritization categories. In this aspect, in the securitization process the Institution acts in the role of counterparty that originates the securitization securities, or in advising and coordinating the issuance of such securities. This process has internal norms that provide support to the valuation and distribution process of securities originating from securitization processes. Operation proposals are approved at the competent levels and Credit Committee.

Securities arising from securitization and re-securitization are subject to the same accounting treatment applicable to securities acquired by the Conglomerate to comprise its own loan portfolio. They are recorded at the amount actually paid, less the allowance for loss, when deemed necessary, and classified based on Management's intention in three different categories, according to Circular Letter 3.068/2001.

In general, sales or transfers of financial assets performed by the Bank are related mainly to the assignments of receivables of payroll loan and auto finance agreements (in a regular situation or delinquent) and assets of the wholesale portfolio. Such assignments are aligned with the funding strategies for new operations and portfolio management, and are normally negotiated with other financial institutions, securitization companies or investment funds.

For the reference base-date, transfers of financial assets (loans) were carried out, with substantial retention of risks and benefits with related parties in the amount of R\$ 5,875 million in financial assets and R\$6,621 million in liabilities related to the obligation assumed.

The following table shows the assigned exposures, which have been honored, repurchased or written-off as losses:



Base Date: Dec-21

Annual Update

Prudential Consolidated - R\$ million

|  | Dec-21 | Sep-21 | Jun-21 | Mar-21 |
|--|--------|--------|--------|--------|
| <b>Exposures assigned honored, repurchased, or written-off</b> |        |        |        |        |
| Honored and Repurchased  | 2.013  | 1.988  | 1.368  | 1.117  |
| Written-off  | 64     | 66     | 51     | 63     |

In 2021, the Institution did not sell credit assets without substantial retention of risks (except credit portfolios that were previously written off at a loss).

### 32) SEC1: Securitization exposures classified in the banking book

Base Date: Dec-21

Half-yearly Update

Prudential Consolidated - R\$ million

|          |                                     | Bank acts as originator |           |           | Bank acts as sponsor |           |           | Banks acts as investor |           |           |
|----------|-------------------------------------|-------------------------|-----------|-----------|----------------------|-----------|-----------|------------------------|-----------|-----------|
|          |                                     | Traditional             | Synthetic | Sub-total | Traditional          | Synthetic | Sub-total | Traditional            | Synthetic | Sub-total |
| <b>1</b> | <b>Retail (total), of which:</b>    | -                       | -         | -         | -                    | -         | -         | 64                     | -         | 64        |
| 2        | residential mortgage                | -                       | -         | -         | -                    | -         | -         | -                      | -         | -         |
| 3        | credit card                         | -                       | -         | -         | -                    | -         | -         | 64                     | -         | 64        |
| 4        | other                               | -                       | -         | -         | -                    | -         | -         | -                      | -         | -         |
| 5        | re-securitisation                   | -                       | -         | -         | -                    | -         | -         | -                      | -         | -         |
| <b>6</b> | <b>Wholesale (total), of which:</b> | -                       | -         | -         | -                    | -         | -         | 365                    | -         | 365       |
| 7        | loans to corporates                 | -                       | -         | -         | -                    | -         | -         | -                      | -         | -         |
| 8        | commercial mortgage                 | -                       | -         | -         | -                    | -         | -         | 360                    | -         | 360       |
| 9        | lease and receivables               | -                       | -         | -         | -                    | -         | -         | -                      | -         | -         |
| 10       | other                               | -                       | -         | -         | -                    | -         | -         | 6                      | -         | 6         |
| 11       | re-securitisation                   | -                       | -         | -         | -                    | -         | -         | -                      | -         | -         |

### 33) SEC2: Securitization exposures classified in the trading portfolio

There was no exposure for the reference base date.

### 34) SEC3: Securitization exposures in the banking book and capital requirements – institution as originator or sponsor.

There was no exposure for the reference base date.

### 35) SEC4: Securitization exposures in the banking book and capital requirements – institution as investor

Base Date: Dec-21

Half-yearly Update

Prudential Consolidated - R\$ million

|          |  | Exposure values (by RW bands) |                 |                  |                     |       | Exposure values     |       | RWA                 |       | Capital charge after cap |       |
|----------|--|-------------------------------|-----------------|------------------|---------------------|-------|---------------------|-------|---------------------|-------|--------------------------|-------|
|          |  | ≤20%                          | 20% < FPR < 50% | 50% ≤ FPR < 100% | 100% ≤ FPR < 1.250% | 1250% | Regulatory Approach | 1250% | Regulatory Approach | 1250% | Regulatory Approach      | 1250% |
| <b>1</b> | <b>Total exposures</b>                       | -                             | 64              | 58               | 307                 | -     | 429                 | -     | 372                 | -     | 30                       | -     |
| <b>2</b> | <b>Traditional securitisation, of which:</b> | -                             | 64              | 58               | 307                 | -     | 429                 | -     | 372                 | -     | 30                       | -     |
| 3        | Securitisation:                              | -                             | 64              | 58               | 307                 | -     | 429                 | -     | 372                 | -     | 30                       | -     |
| 4        | retail underlying assets                     | -                             | 64              | -                | -                   | -     | 64                  | -     | 16                  | -     | 1                        | -     |
| 6        | non-retail underlying assets                 | -                             | -               | 58               | 307                 | -     | 365                 | -     | 357                 | -     | 29                       | -     |
| 8        | Re-securitisation:                           | -                             | -               | -                | -                   | -     | -                   | -     | -                   | -     | -                        | -     |
| <b>9</b> | <b>Synthetic securitisation, of which:</b>   | -                             | -               | -                | -                   | -     | -                   | -     | -                   | -     | -                        | -     |
| 10       | Securitisation:                              | -                             | -               | -                | -                   | -     | -                   | -     | -                   | -     | -                        | -     |
| 11       | retail underlying assets                     | -                             | -               | -                | -                   | -     | -                   | -     | -                   | -     | -                        | -     |
| 12       | non-retail underlying assets                 | -                             | -               | -                | -                   | -     | -                   | -     | -                   | -     | -                        | -     |
| 13       | Re-securitisation:                           | -                             | -               | -                | -                   | -     | -                   | -     | -                   | -     | -                        | -     |

## IX. Market risk management

It is the aim of market risk control to provide support for the management of the business, establish the processes and implement the tools required for assessing and controlling market risks, enabling the measurement and follow-up of the risk appetite levels defined by Senior Management.

### 36) MRA: Qualitative information on market risk management

#### Definition

Market risk is defined as the possibility of incurring financial losses arising from the fluctuation in the market values of exposures held by a Financial Institution. These financial losses may be incurred as a result of the impact produced by the variation of risk factors, such as interest rates, exchange parities, stock and commodity prices, among others.

#### Basic Principles

In line with CMN Resolution No. 4,557/17, the Bank has an institutional structure and policies for the management of market risk approved by the Board of Directors. The information about the market risk management framework contained in this document is in line with these policies. The basic principles observed in management and control were established in accordance with current regulations and market practices, as follows:

- Involvement of Senior Management: corporate governance is structured with the objective of involving Senior Management in the overall supervision of risk taking;
- Segregation of portfolios: for the purpose of consolidated management and control of market risk exposures, transactions are segregated depending on their business strategy: trading portfolio (trading) or banking portfolio (non-trading). Additionally, other managerial portfolio classification may be performed, aligned with the management structure;
- Segregation of duties: segregation of duties between the areas responsible for the execution of operations and for the definition of business strategies, and the areas in charge of their accounting, of risk control, compliance and internal controls, and auditing;
- Definition of pricing methodologies and risk calculation, made by an area independent from the business areas: for the purpose of risk control, structured methodologies for mandatory corporate use are adopted, based on market practices and other factors that can be used in model marking, according to prudential criteria established by the regulator, which include the cost of liquidating positions and credit risk spread, among others;
- Establishment of limits: clear and objective definition of the authorized risk levels, based on the risk measures. This definition is structured with the objective of including the risk appetite levels defined by the Conglomerate in the daily activities;
- Establishment of limits: clear and objective definition of the authorized risk levels, based on the risk measures. This definition is structured with the objective of including the risk appetite levels defined by the Conglomerate in the daily activities;
- Monitoring of limits: definition of the process for monitoring and reporting on the level of usage of the authorized limits.

#### Governance and Areas Involved

Market risk management functions include a set of functional activities that permeate the entire business chain, from product development, to operations, modeling and control of market risk, P&L attribution and formalization, accounting and settlement of transactions, as well as monitoring the effectiveness of processes and controls used.

Such duties are performed by formally constituted functional units, with technically trained teams under segregated management and with clearly defined attributions, allocated in the structures of the Credit and Risk Board of Executive Officers, the Treasury Board of Executive Officers, the Corporate & Investment Banking Board of Executive Officers, and the Finance and Investor Relations Board of Executive Officers.

#### Segregation of Portfolios

For the purposes of consolidated management and control of market risk exposures, transactions are segregated into two types of portfolios depending on their business strategy: trading portfolio (trading) or banking portfolio (non-trading).

The trading portfolio covers all transactions, financial instruments, commodities or derivatives held with the intention of trading, or turning over, or hedging other trading portfolio transactions, and not subject to tradability restrictions. The banking portfolio encompasses all the operations not classified as trading.

The following are the principal mechanisms adopted by the Bank for segregating portfolios:

- Segregation of transactions is based on business strategies and intention, as captured at the time of trading, reflecting proactive treasury management, and may be classified as trading or banking;
- Conditions for trading classification: intention to trade in the short term (ninety days), having no limitation on their negotiability, being marked to market daily, and complying with the defined turnover and loading deadlines; and
- Breakdown of banking portfolio: includes other transactions, financial instruments, commodities or derivatives, which, by exclusion, are those not held for the sole purpose of trading in the short term.

### Risk Measures and Limits for Management and Control

The Bank adopts a set of objective measures for managing and controlling market risks.

- **VaR**<sup>2</sup>(Value-at-risk): it seeks to determine the risk resulting from market exposures, by determining the highest expected loss within a confidence interval and a time horizon;
- **Stress testing**: used in order to estimate the potential fluctuations in the value of financial instruments, which occur due to extreme changes in market variables (or risk factors);
- **Market Risk Regulatory Capital**: comprises the regulatory capital calculated as a result of the exposures of trading and non-trading portfolios;
- **Sensitivity analyses**: this is used to estimate the potential fluctuations in value of financial instruments, which occur because of predefined shocks to risk factors; and
- **GAP analysis**: consists of the measurement of cash flow mismatching by risk factor.
- **sVaR (stressed VaR)**: Stressed VaR is a measure that is complementary to Historical VaR, with the objective of simulating, for the Institution's current portfolio, the impact of historical periods of stress not considered in the historical window of VaR returns.

Risk measures are used along with limits as market risk management tools. Risk measures are used along with limits as market risk management tools. These limits include the definition of maximum authorized amounts, adhering to the strategies adopted, the scope of products authorized for trading, consistent with budgeted assumptions and targets. There are three types of limits, according to the decision authority level:

- Upper Limits: risk appetite of the Board of Directors, maximum authorized limits;
- Operating limits - CCR: internal limits authorized by the Controls and Risk Committee (CRC), always subject to the Upper Limits.
- Operating limits - CRO: internal limits authorized under the responsibility of the Chief Risk Officer (CRO), always subject to the Upper and Operational Limits – CCR.

The limits are established based on the risk appetite and defined in a manner to pragmatically enable the achievement of the intended financial performance targets. Limits and targets are matched at the budget programming level. Amounts or values set in limits are updated and revised at least annually, together with budgetary programming.

### Risk Measurement Methodology

Trading portfolio is comprised of Bank transactions available for negotiation. For measuring the portfolio risk, the Bank adopts the methodology of VaR by Historical Simulation.

The banking portfolio consists of structural exposures arising from loans as such and from borrowing to fund these loans, irrespective of maturity dates and currencies, or their commercial segments (consumer finance, middle or corporate). The banking portfolio also includes transactions to hedge assets or equity, and loans or funding in the banking portfolio. This portfolio is also known as the structural portfolio because it includes structural management of asset-liability mismatch. To measure the risk of the banking book, the Bank uses the methodologies of Delta EVE (Change in Economic Value of Equity) and Delta NII (Change in Net Interest Income), adopting whichever is higher. Further details are found in chapter X. Interest Rate Change Risk Management.

### Measurement system and communication process

The Institution has corporate systems for measuring and controlling market risk, combining internally developed applications with market solutions of proven robustness. These systems include integrated treatment of information in sequential order:

- Capturing price and curves from independent sources, reflecting parameters of trading conditions effectively practiced;
- Capture of the recording of the transactions carried out and their registration data;
- Continuous update and filing of this information based on structured databases, monitoring their accounting integrity and consistency;

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<sup>2</sup> Value-at-risk

- Calculating market values of positions for accounting purposes, managerial monitoring of positions held and financial performance; and
- The calculation of values at risk, following current methodologies.

The Institution fully adopts a structured process for reporting issues related to market risk management. This communication process comprises:

- Periodically issuing objective reports showing exposures and levels of use of authorized limits;
- Periodically holding collective monitoring forums, within decision-making competencies, in which current issues are discussed with full participation; and
- Specific electronic messages reporting and monitoring cases of limits being exceeded or noncompliance, in which positions and managers responsible are identified.

#### **Reporting limits exceeded or noncompliant transactions**

The procedure adopted for monitoring utilization of limits or non-compliant transactions comprises two steps:

- **Communication:** Notification is through standard “Utilization Alert” e-mails indicating predetermined trigger limits for using or “Exceeding Limits”, advising that above-authorized risk-exposure has occurred.
- **Reclassification:** Any limits being exceeded or non-compliance involves executing strategies for returning to authorized limits and reducing amounts utilized.  
These strategies are under the responsibility of the business managers, considering market conditions, and monitored by the subsequent Risks and Controls Committee.

#### **Sensitivity analyses**

Banco BV uses two methodologies for sensitivity analysis of its exposures.

**Analysis 1** – Initially, it uses the application of parallel shocks on most relevant risk factor curves. The purpose of this method is to simulate effects on Institution's income (loss) in view of possible scenarios, which consider possible fluctuations in market interest rates. Two possible scenarios are simulated in which analyzed risk would be increased or reduced by 10 base points.

**Analysis 2** – Simulations are performed to measure the effect of changes in market curves and prices on the exposures maintained by the Institution, aimed at estimating the effects on earnings under specific scenarios.

In the analysis performed for transactions classified in the banking portfolio, valuation or devaluation resulting from changes in market interest rates and prices do not have a financial and accounting impact on Institution's income. The reason for this is that the portfolio consists mostly of loans, consumer finance funding and securities, which are mostly booked at the same rates as agreed when transacted.

In addition, note that the main characteristic of these portfolios is that they are classified as available for sale and, therefore, effects of interest rate or price fluctuations are reflected in Shareholders' equity and not in income (loss). There are also other transactions naturally linked to other instruments (natural hedge) that minimize impacts in stress scenario.

## **X. Risk Management of Interest Rate Risk in the Banking Book (IRRBB)**

### **37) IRRBBA: Qualitative information about IRRBB management**

#### **Definition**

The interest rate risk for instruments classified in the banking book (IRRBB) is defined as the impact (whether current or prospective) of adverse changes in interest rates on capital and on the financial institution earnings, for instruments classified in the banking book.

The banking portfolio consists of structural exposures arising from loans as such and from borrowing to fund these loans, irrespective of maturity dates and currencies, or their commercial segments (consumer finance, middle or corporate). The banking portfolio also includes transactions to hedge assets or equity, and loans or funding in the banking portfolio. This portfolio is also known as the structural portfolio because it includes structural management of asset-liability mismatch.

To measure the banking book risk, the Bank uses the methodologies of Delta EVE (Change in Economic Value of Equity) and Delta NII (Change in Net Interest Income), adopting whichever is higher:

- **ΔEVE (Change in Economic Value of Equity):** The Economic Value approach calculates the effect of the interest rate changes based on the economic markdown of the Institution's assets and liabilities. The metric assesses the impact on the institution's capital resulting from the hypothetical sale or liquidation of its positions (assets and liabilities) under conditions different from those prevailing on the market;
- **ΔNII (Change in Net Interest Income):** The Interest Margin Changes approach is aimed at capturing the effects of changes in the Institution's intermediation revenues resulting from changes in interest rates.

Additionally, Banco BV calculates the aforementioned metrics using the premises of the standardized model, pursuant to Circular Letter 3.876/18.

Sensitivity analyses by vertex, by risk factor, and stress tests are estimated daily for the Institution's entire portfolio of assets and liabilities, using prospective and historical scenarios. The calculations are made at the operation level by the market risk system, and the results are consolidated in several managerial views, by type of risk or regulatory view. The results per risk factor are consolidated for each scenario analyzed. The metrics defined above are reported to the ALM and Tax Committee and are included in the Institution's Risk Appetite, approved by the Board of Directors.

Monitoring the risk management activities of the banking book is an integral part of the roles of the Institution's main governing forums, such as the Board of Directors, the Risk and Capital Committee, the Executive Committee, the ALM and Tax Committee, and the Controls and Risk Committee. The risk management, model validation and internal audit areas maintain the segregation of structures and duties between the areas involved in the execution and control of the business, ensuring the independence of the areas and governance of the processes related to IRRBB metrics. Activities for the management and control of IRRBB involve the definition of structural hedging strategies approved by the ALM and Tax Committee, with the aim of protecting the Institution's financial intermediation margin from adverse changes in market interest rates. The ΔNII and ΔEVE metrics are calculated on a monthly and daily basis, respectively, for all assets and liabilities that comprise the scope of exposures for the risk of interest rate changes classified in the banking book.

To determine the interest rate shocks in the ΔNII and ΔEVE metrics, the standardized Basel scenarios for Brazil were adopted. No assumptions are used other than those required for the purpose of disclosing IRRBB metrics.

Structural hedge policies are aimed at protecting the Institution's financial intermediation margin from adverse changes in market rates, and allow for the management of structural risk on the balance sheet. The Hedge Accounting programs record the gains or losses arising from the derivative financial instruments in the same accounting periods as the hedged object, thus reducing the volatility of the accounting result. The effectiveness and impacts resulting from the hedge policies are approved and monitored by the ALM and Tax Committee, in accordance with established internal governance and compliance with the regulatory and accounting requirements inherent to the process.

The most relevant premises adopted by the Institution for calculating the ΔEVE and ΔNII metrics are:

- Behavioral options consider the risk of anticipating future flows, given the prepayment curve of the portfolio's contracts, based on historical data and portfolios with homogeneous characteristics;
- For the ΔNII metric, the instruments falling due in the banking book are renewed with the same value, repricing period, and spread components;
- For the ΔEVE metric, regarding BV Financeira's credit portfolio, commercial margins and other spread components are not considered in the repricing flow.

| Quantitative Information  |
|---|
| <b>1. Assumption of average repricing term attributed to deposits with no defined contractual maturity.</b> |
| There are no relevant (interest rate sensitive) positions of deposits with no maturity                      |
| <b>2. Assumption of maximum repricing term attributed to deposits with no defined contractual maturity.</b> |
| There are no relevant (interest rate sensitive) positions of deposits with no maturity                      |

For the reference base-date, there are no relevant positions (interest-rate sensitive) of deposits with no defined contractual maturity, regarding the assumptions of medium period and maximum period for repricing.

### 38) IRRBB1: Quantitative information on the IRRBB

| <i>Annual Update</i><br><i>Prudential Consolidated - R\$ Thousand</i> |                            | $\Delta\text{EVE}^{\text{a,b}}$ |               | $\Delta\text{NII}^{\text{a,b}}$ |               |
|---|----------------------------|---------------------------------|---------------|---------------------------------|---------------|
| <b>Data-base</b>  |                            | <b>Dec-21</b>                   | <b>Dec-20</b> | <b>Dec-21</b>                   | <b>Dec-20</b> |
| 1   | Scenarios parallel up      | 440.700                         | 246.428       | 454.299                         | 151.346       |
| 2   | Scenarios parallel down    | -                               | 20.835        | 44.487                          | 14.852        |
| 3   | Scenarios rate up          | 342.426                         | 283.131       |                                 |               |
| 4   | Scenarios rate down        | -                               | -             |                                 |               |
| 5   | Scenarios <b>steepener</b> | -                               | -             |                                 |               |
| 6   | Scenarios <b>flattener</b> | 173.123                         | 218.365       |                                 |               |
| 7   | <b>Maximum</b>             | 440.700                         | 283.131       | 454.299                         | 151.346       |
| <b>Data-base</b>  |                            | <b>Dec-21</b>                   |               | <b>Dec-20</b>                   |               |
| <b>8</b>  | <b>Tier I</b>              | <b>11.419.469</b>               |               | <b>10.078.250</b>               |               |

(a) Standardized model.

(b) Gains are represented by negative values and losses are represented by positive values.

## XI. Management compensation

### 39) REMA: Compensation attributed during the reference year

#### Compensation and human resources committee

The Compensation and HR Committee is currently composed of 3 (three) members, all qualified natural persons with unblemished reputation, elected by the Board of Directors (CA). The choice of Committee members takes into account the qualifications and experience necessary for the exercise of competent and independent judgment on the Remuneration Policy of Banco Votorantim S.A. and subsidiaries ("Financial Conglomerate"), including the repercussions of this policy on risk management, as well as the provisions of the Shareholders' Agreement of Banco Votorantim S.A.

The members of the Remuneration and HR Committee will have a term of office of 2 years, which will extend until the investiture of their substitutes, with re-appointment being allowed, being forbidden to remain for a period longer than (10) ten years, under the terms of the current legislation. The Compensation and HR Committee of Banco Votorantim S.A. and its subsidiaries ("Committee") was constituted on 03/26/2012, being unique to the Financial Conglomerate as a whole, and reports to the Board of Directors.

The meetings of the Remuneration and HR Committee take place on a quarterly basis, or extraordinarily upon convening by any of its members, given that the meeting of the Remuneration and HR Committee will only be validly installed with the presence of the majority of its members. The Committee's attributions, in addition to others that may be conferred upon it by law or regulatory rule:

I. prepare the remuneration policy for Directors of Banco Votorantim S.A. and subsidiaries, proposing to the Board of Directors the various forms of fixed and variable compensation, in addition to benefits and special recruitment and termination programs;

II. to supervise the implementation and operation of the remuneration policy for Directors of Banco Votorantim S.A. and controlled companies;

III. annually review the remuneration policy of Directors Banco Votorantim S.A. and controlled companies, recommending to the Board of Directors its correction or improvement;

IV. propose to the Board of Directors the amount of the global remuneration of the Directors of Banco Votorantim S.A. and subsidiaries to be submitted to the General Meeting, pursuant to Article 152 of Law No. 6,404/76;

V. evaluate future scenarios, internal and external, and their possible impacts on the remuneration policy of Directors of Banco Votorantim S.A. and controlled companies;

VI. analyze the remuneration policy of Directors of Banco Votorantim S.A. and subsidiaries in relation to market practices, with a view to identifying significant discrepancies in relation to similar companies, proposing the necessary adjustments;

VII. ensure that the Management compensation policy is permanently compatible with the risk management policy, with the goals and current and expected financial situation of Banco Votorantim S.A. and controlled companies and with the provisions of current legislation; and

VIII. to advise the Board of Directors on all matters related to Compensation and Human Resources that are the responsibility of said Board.

### **Compensation Structure**

Below is the description and characteristics of the remuneration of our employees:

I. Board of Directors: The remuneration of the members of the Board of Directors consists exclusively of the fixed portion represented by their fees, in line with market practices;

II. Statutory Board of Executive Officers and employees: Compensation is divided into fixed compensation, short-term variable compensation (variable compensation portion paid annually) and long-term variable compensation (variable compensation portion whose payment is made in future installments), with fixed compensation aligned with the values practiced in the market and the attributable variable remuneration is defined after the evaluation of the performance of each one against the goals established by the Bank for the referred calculation period and consists of a scale that differentiates the degrees of contribution of each one.

### **Definition of compensation considering current and future risks**

The design of the compensation program is based on metrics and result indicators that take into account the criteria and risk tolerance levels defined by the Board of Directors. Professionals have clear and objective goals that take these criteria into account and their remuneration is impacted by them. In addition, the portion of long-term variable compensation is conditioned to indicators of value creation for the Bank.

### **Description of the correlation between performance assessment and compensation**

The performance evaluation model measures the performance of our employees through institutional indicators aligned with the Bank's strategic objectives. Its objective is to guide professional development, leverage results and promote recognition linked to performance. After defining the institutional indicators, such as: "net income, ROE, RAR and PDD", the goals are cascaded to all employees, being contracted for the year of validity of the Performance Assessment cycle and formalized in a goal contract individual or mirrored by the manager. The higher the position, the higher the level of contribution and responsibility.

The Bank's performance evaluation comprises three dimensions, namely:

I. Institutional performance: result of the organization as a whole;

II. Area performance: measured through specific indicators established for each structure, taking into account their specificities.

III. Individual Performance: measured through quantitative indicators (target contract) or qualitative indicators (behavioral).

These dimensions strengthen the connection between performance and reward.

### **Description of the process for adapting compensation to long-term performance**

For the Executive Officers, the amount to be paid as variable compensation is defined; no more than 30% of this amount will be paid in cash (short-term variable compensation) and no less than 70% will be deferred, linked to indicators of value creation for the Bank, on the time horizon. For employees, a progressive deferral table is applied based on the amount of the variable compensation, linked to indicators of value creation for the Bank, on the time horizon.

### **Description of the different forms of variable compensation adopted, and the reasons for their use**

Regarding the forms of compensation, both for the fixed compensation part and the variable compensation is paid in cash.

#### 40) REM1: Compensation attributed during the reference year

Base Date: Dec-21  
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| Remuneration                      |  | Board of Officers | Board of Directors |
|-----------------------------------|--|-------------------|--------------------|
| <b>Fixed Remuneration</b>         | Number of employees                                | 21                | 11                 |
|                                   | <b>Total fixed remuneration (3 + 4 + 5)</b>        | <b>19</b>         | <b>4</b>           |
|                                   | Of which: cash-based                               | 19                | 4                  |
|                                   | Of which: shares or other share-linked instruments | 0                 | 0                  |
|                                   | Of which: other forms                              | 0                 | 0                  |
| <b>Variable Remuneration</b>      | Number of employees                                | 21                | 11                 |
|                                   | <b>Total variable remuneration (8 + 10 + 12)</b>   | <b>59</b>         | <b>0</b>           |
|                                   | Of which: cash-based                               | 37                | 0                  |
|                                   | of which: deferred                                 | 19                | 0                  |
|                                   | Of which: shares or other share-linked instruments | 0                 | 0                  |
|                                   | of which: deferred                                 | 0                 | 0                  |
|                                   | Of which: other forms                              | 22                | 0                  |
| of which: deferred                | 22   | 0                 |                    |
| <b>Total Remuneration (2 + 7)</b> |  | <b>77</b>         | <b>4</b>           |

Referring to Table **REM2: Extraordinary payments**, according to art. 3, §4 of BCB Resolution 54 of December 16, 2020, the group that falls under this item does not reach a reasonable volume to maintain the confidentiality of the information.

There was no guaranteed bonus payment for the internal transfer.

#### 41) REM3: Deferred compensation

Base Date: Dec-21  
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| Deferred and retained remuneration | Total amount of outstanding deferred remuneration | Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment | Total amount of amendment during the year due to ex post explicit 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 |
|------------------------------------|---|---|--|--|--|
| <b>Board of Officers</b>           | <b>66,1</b>                                       | <b>66,1</b>   | <b>0,0</b>   | <b>9,6</b>   | <b>0,8</b>   |
| Cash                               | 66,1  | 66,1  | 0,0  | 9,6  | 0,8  |
| Shares                             | -   | -   | -  | -  | -  |
| Share-linked instruments           | -   | -   | -  | -  | -  |
| Other                              | -   | -   | -  | -  | -  |
| <b>Board of Directors</b>          | <b>-</b>  | <b>-</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>   |
| Cash                               | -   | -   | -  | -  | -  |
| Shares                             | -   | -   | -  | -  | -  |
| Share-linked instruments           | -   | -   | -  | -  | -  |
| Other                              | -   | -   | -  | -  | -  |
| <b>Total</b>                       | <b>66,1</b>                                       | <b>66,1</b>   | <b>0,0</b>   | <b>9,6</b>   | <b>0,8</b>   |



## XII. Other risks

### Operational risk

Operational risk is defined as the possibility of losses arising from external or failure events, deficiency or inadequacy of internal processes, people or systems. This definition includes Legal Risk associated with inadequacies or weaknesses in contracts signed by the Conglomerate, sanctions for non-compliance with legal provisions, and damages paid to third parties resulting from the activities carried out by the Conglomerate. Operational risk events include:

- a) Internal and external fraud;
- b) Labor lawsuits and poor workplace safety;
- c) Inappropriate practices related to clients, products, and services;
- d) Damage to Conglomerate-owned physical assets, or assets in use by the Conglomerate;
- e) Situations that result in the interruption of the Conglomerate's activities;
- f) Failures in information technology (IT) systems, processes, or infrastructure;
- g) Failures in the execution, in the meeting of deadlines, or in the management of activities by the Conglomerate.

Operational risk management supports management of business through risk assessment and control, capture and management of the operating losses base and measurement of capital allocated to operational risk, enabling prioritization and implementation of plans for improving processes, in accordance with risk tolerance levels determined by Senior Management.

The operational risk management structure identifies, measures, evaluates, monitors, reports, controls and mitigates the risks associated with the Prudential Conglomerate, by means of the following practices:

- Involvement of Senior Management in the global supervision of risk taking through established governance;
- Acculturation of the Conglomerate in the concepts of Operational Risk management, through corporate training and discussions promoted in specific governance forums;
- Capturing operational losses and maintaining a structured database with information relating to events;
- Preparation and valuation of operational loss indicators;
- Calculating capital allocated to operational risk based on structured methods that are appropriate with regulatory requirements.
- Mapping systemic and operational processes, mapping and analyzing existing controls, and inherent and residual risks;
- Analysis, communication, and deployment of action plans to improve processes and controls for mitigation of the risks incurred.

The Conglomerate has a structure that allows the identification, valuation and monitoring of risks related to confidentiality, integrity and availability from outsourced services significant to the Conglomerate's regular operation.

The operational risk events, comprising mismatches, recoveries, provisions, gain from operating failure, opportunity cost, and near-miss events are recorded in the Corporate System of Operating Risk Event Reporting (RRO) by the specialized reporting areas that centralize the identification and reporting of losses related to failures in its processes. All employees are responsible for the timely reporting of operating loss events.

Cybersecurity risk is also assessed in the scope of operational risk, and means any risk of financial loss, disruption or damage to an organization's reputation due to some kind of failure in its information assets, computers, and communication resources.

### Social, Environmental and Climate Risk

In September 2021, the Central Bank of Brazil published a series of regulatory actions with a prudential approach to improve the rules for managing social, environmental and climate risks (RSAC).

In this context, CMN Resolution no. 4.943 (effective from Jul/22) redefines social and environmental risk and introduces the concept of climate risk. Social risk is related to practices that violate fundamental rights and guarantees or common interests. Environmental risk is associated with acts of environmental degradation. Climate risk is divided into: (i) transition risk, related to the process of transition to a low carbon economy, and (ii) physical risk, related to the occurrence of frequent and severe weather or long-term environmental changes, which may be associated with changes in weather patterns.

Currently, the Conglomerate's social, environmental and climate risk management is guided by the Corporate Policy on Sustainability and Social and Environmental Responsibility (PSRSA). This policy complies with the provisions of CMN Resolution No. 4,327/2014, which is in force until Dec/22, and the self-regulation Febraban SARB No. 14, guiding the behavior of the companies of the Economic-Financial Conglomerate Votorantim regarding social, environmental and climate practices business and stakeholder relationships. Additionally, the Institution maintains a Social, Environmental and Climate Risk Standard that defines the rules for the analysis of social, environmental and climate risk in the activities and operations of Banco BV, in accordance with the rules of the Central Bank of Brazil.

Demonstrating the importance of the topic for the Institution, the risk appetite (RAS) of Banco BV includes an exclusive dimension on social and environmental risk, and the indicator is monitored monthly and reported to the Controls and Risks Committee (CCR), and Capital (CRC) and Board of Directors (CA).

In addition to the Policies and Standards, the Institution has a governance structure for dealing with the issue, with the Controls and Risks Committee (CCR) as the main forum for monitoring and deliberating on socio-environmental risk.

The Institution has a social, environmental and climate risk management structure for the adequate identification, classification, evaluation, monitoring, mitigation and control of these risks in its business, mainly through the processes of social, environmental and climate analysis and monitoring of customers, projects, real estate guarantees, asset issuers, supplier evaluation and new products. The processes are carried out by a team specialized in the subject and consist of evaluating the social, environmental and climatic aspects with which customers and suppliers are involved in terms of compliance with socio-environmental legislation, working conditions, use of natural resources, waste management to establish the level of socio-environmental risk, supporting the Institution's decision-making.

In line with the Institution's Sustainability and Social and Environmental Responsibility Policy, Banco BV became a signatory to the Equator Principles in 2016, being the 5th Brazilian bank to sign the voluntary commitment.

Based on the IFC (International Finance Corporation) Performance Standards and Policies on Social and Environmental Sustainability and the World Bank Guidelines on Environment, Health and Safety, the Equator Principles was developed as a voluntary commitment to help banks identify and manage socio-environmental risks associated with the direct financing of large infrastructure projects, such as dams, mines and pipelines. These principles set the benchmark for responsible financing.

As signatories of the Equator Principles, the Institution is committed to implementing them in internal social and environmental policies, procedures and standards, and does not provide project financing or corporate loans related to projects in which the client does not commit to complying with the Equator Principles. . From the adoption of the principles to their implementation, meetings and training were held between the areas that work with the theme for the alignment of socio-environmental risk management in projects.

The analysis of projects is carried out by the socio-environmental risk team allocated to the Institution's Risk Department. This analysis consists of submitting each transaction to a socio-environmental due diligence process that begins with the assignment of a category (A, B or C) that reflects the risk level of the project.

- High Risk (Category A) – Projects with potential risk and/or significant negative socio-environmental impacts that are multiple, irreversible or unprecedented.
- Medium Risk (Category B) – Projects with limited potential for risks and/or negative socio-environmental impacts, in a reduced number, generally localized, largely reversible and readily controlled through mitigating measures.
- Low Risk (Category C) – Projects without negative risks and/or socio-environmental impacts or with minimal, reversible and mitigatable risks. The review of the documentation provided by the client and by independent consultants makes it possible to assess compliance with the requirements established in the Equator Principles according to the project category. Among the requirements evaluated in the documentation are the working conditions, the impacts on the community and the environment of the projects financed by the Institution.

The Institution incorporates socio-environmental obligations into the financing contracts, as well as monitoring projects that present significant risks that fall within these principles.

In 2021, there was no contracting of Advisory and Financing Services for Project Finance, as well as of Corporate Loans for Projects classified under the criteria of Equator Principles III or IV (effective since Oct/20).

## Reputation risk

The reputation risk is defined as the occurrence or possibility of damage to the Conglomerate's reputation as a result of the negative perception of clients, shareholders, investors, rating agencies, civil society, employees, trade unions and regulatory agencies, in relation to the Conglomerate's business practices, conduct or financial condition.

The reputation risk management is performed by two fronts:

- a) Decentralized management: it is performed using specific processes contained in several areas of the Conglomerate, which are designed to mitigate the occurrence of events that affect reputation, and to act by containing the dissemination of these impacts, upon the occurrence of these events; and
- b) Centralized management: performed by the Board of Executive Officers of Risks by means of consolidated evaluations and monitoring of the actions and reports, among other activities of the aforementioned individual areas.

All employees are responsible for the timely communication of events that affect or may affect the Institution's reputation.

## Strategy risk

The strategy risk is defined as the possibility of loss resulting from the use of an inadequate business strategy, assumption or policy, or absence thereof, including the absence of response to market changes and to factors outside the Conglomerate and lack of capacity to execute the strategy.

Strategy risk management is carried out by segregating this risk into two parts, each having its own management tools and controls:

- a) Possibility of loss resulting from the use of inadequate business strategy, assumptions or policy, or absence thereof. In this case, management and control are based mainly on the process of developing Strategic and Budget Planning; and
- b) Possibility of loss resulting from the lack of response to market changes or other factors extraneous to the Conglomerate. These risks are managed by monitoring the amounts, data and indicators budgeted compared to the ones realized, periodic review of projections, and monitoring of economic scenarios.

Strategy risk management also covers people risk, defined as the possibility of losses in the institution's revenue, specific technical knowledge or relationship with stakeholders, resulting from the departure of personnel at all levels of the institution.

Lastly, technology risk is also included in the context of strategy risk, represented by the possibility of non-fulfillment of targets and goals established by senior management due to failures in the implementation of systems and/or inadequate sizing of the technological environment for executing its business, among others.

## Model Risk

The model risk is defined as the set of possible adverse consequences arising from incorrect results of models, or its inadequate use.

Risk management of models comprises the performance of three fronts:

- a) The model's management area, which is responsible for developing and documenting the model, in addition to the timely monitoring of performance indicators such as backtest, among others;
- b) Model Validation, which independently assesses and monitors the model, aimed at identifying weaknesses and guiding corrective action plans, in addition to being a means of support for the model asset manager area in relation to its processes and controls;
- c) Internal Audit, which provides an independent opinion to Senior Management and the governance body regarding the model validation process.

## Compliance Risk

Compliance Risk is defined as the possibility of application of legal or regulatory sanctions, or financial, reputational or other losses that negatively affect the achievement of the Conglomerate's goals, due to non-compliance with or non-fulfillment of rules. The Conglomerate

has a unit responsible for compliance duties, carried out by the Compliance department, which is subordinate to the Legal, Corporate Governance and Compliance Board of Executive Officers.

Periodically, the work performed by the Compliance department is reported to the Legal, Corporate Governance and Compliance Board of Executive Officers and to the CRC for awareness or deliberation by the executives. Aside from these forums, the Compliance department may periodically report the results of its work to the Executive Committee, the Risk and Capital Committee, the Audit Committee, and the Board of Directors.

### **Underwriting risk**

The underwriting risk is defined as the possibility of losses originating from the issuance of third-party debts in which the Conglomerate is obliged to acquire instruments to place them in its active portfolio due to the execution of firm commitment clauses. The risk management process is segregated into three (03) views: (i) specific analysis of each operation; (ii) analysis of the consolidated exposure of operations with firm commitment; and (iii) monitoring of the portfolio operations because of the execution of a firm guarantee.

### **Step-in Risk**

Contagion Risk is defined as the possibility of losses occurring for the entities comprising the Prudential Conglomerate, including the leading financial institution, arising from their relationships, contractual or otherwise, with unconsolidated entities. From these relationships, the risk may arise that the entities of the Prudential Conglomerate, even if not contractually obligated, assume the burden of providing financial assistance to the entities with which the relationships were established.

The scope of Contagion Risk is to assess the Institution's controlled entities, suppliers, investment funds, investees, affiliates and partnerships/services in view of the possibility of losses arising from these relationships. New business opportunities with a strategic focus are conducted in accordance with the governance and parameters defined by the Board of Directors.