

# Risk and Capital Management

March 2024





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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 Resolution 54/20, 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.

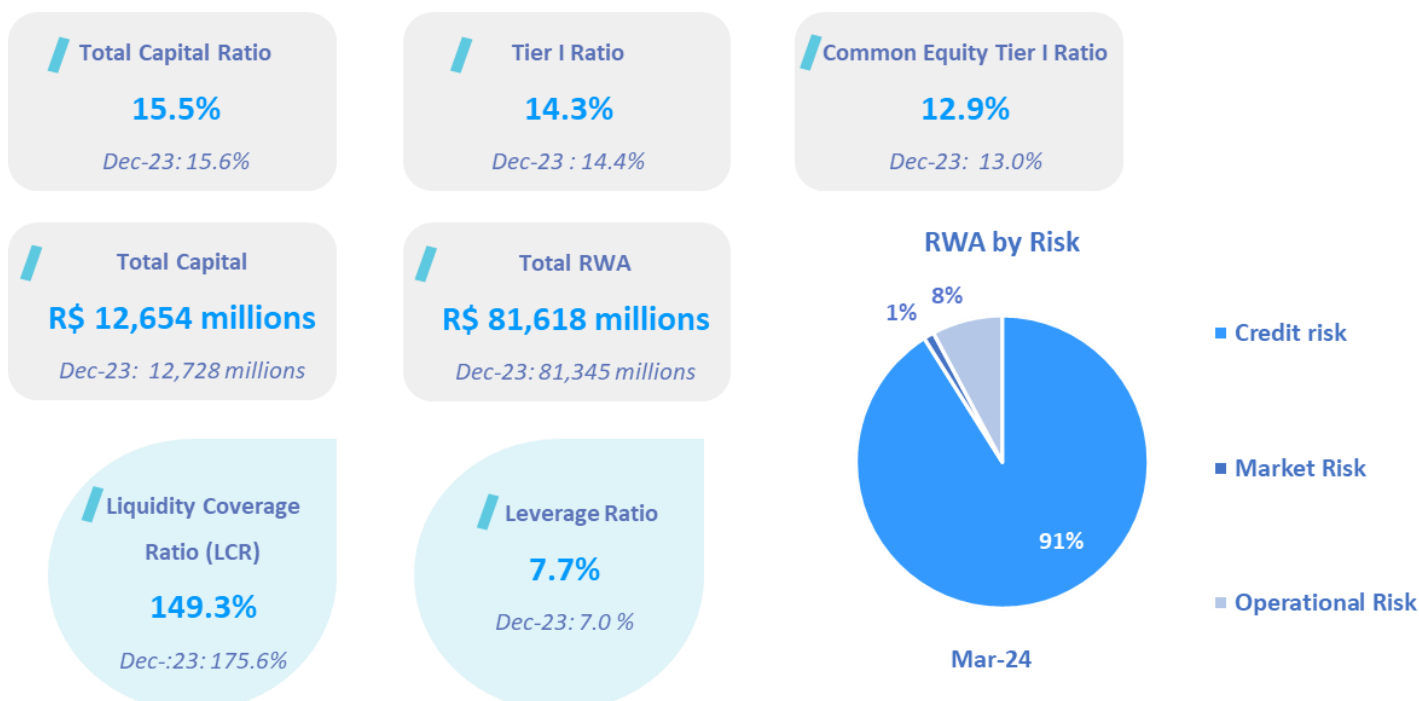
According to the rules established by the regulator, through BCB Resolution 54/20, this document is divided into sections composed of tables, which present qualitative and quantitative information, in fixed or flexible formats, and with different frequency, which are:

- 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;
- 4<sup>th</sup> 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).

Following are the main indicators on the base date of March 31, 2024 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 March 2024, the Total Capital Ratio was 15.5%, with a capital margin, calculated by the difference between the Total Capital and the required capital, was roughly R\$ 5.3 billion (considering RBAN). The Tier 1 Capital Ratio ended at 14.3% and the Common Equity Tier I Ratio closed at 12.9%.

Quarterly Update Prudential Consolidated - R\$ million		Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
<b>Available capital (amounts)</b>						
1	Common Equity Tier I (CET1)	10,509	10,600	10,258	10,000	9,791
2	Tier I	11,650	11,722	11,299	10,729	10,352
3	Total Capital	12,654	12,728	12,140	11,640	11,244
3b	Excess of resources invested on permanent assets	-	-	-	-	-
3c	Total Capital Detachments	-	-	-	-	-
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	81,618	81,345	78,863	79,443	79,277
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	CET1 ratio	12.9%	13.0%	13.0%	12.6%	12.4%
6	Tier I ratio	14.3%	14.4%	14.3%	13.5%	13.1%
7	Total Capital Ratio	15.5%	15.6%	15.4%	14.7%	14.2%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement	0.0%	0.0%	0.0%	0.0%	0.0%
10	Systemic capital buffer requirement	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements	5.9%	6.0%	6.0%	5.6%	5.4%
<b>Leverage Ratio (LR)</b>						
13	Total exposure	150,386	167,742	153,699	165,529	155,038
14	LR	7.7%	7.0%	7.4%	6.5%	6.7%
<b>Liquidity Coverage Ratio (LCR)</b>						
15	Total high-quality liquid assets (HQLA)	16,518	16,478	15,416	13,603	14,411
16	Total net cash outflow	11,060	9,489	8,777	7,465	9,286
17	LCR ratio	149.3%	173.6%	175.6%	182.2%	155.2%
<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% from April/22), according to CMN Resolution nº 4.958/21.

2 - Capital conservation buffer requirement is established by the Financial Stability Committee (Comef) and is currently set to zero, according to BACEN nº 40,604/23).

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\$ 12.7 billion, showing a reduction of R\$ 74 billion compared to the previous quarter's TC, with 92.1% of the TC amount being composed of Tier 1 Capital, and Tier 1 Capital ended the period at R\$ 11.6 billion, showing a R\$ 72 billion reduction compared to the previous quarter, mainly due to earnings reported in the period.

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

RWA, as defined by CMN Resolution No. 4.958/21, is comprised of the sum of risk-weighted assets referring to the credit, market and operational risks:

$$\text{RWA} = \text{RWA}_{\text{CPAD}} + \text{RWA}_{\text{CAM}} + \text{RWA}_{\text{JUR}} + \text{RWA}_{\text{COM}} + \text{RWA}_{\text{ACS}} + \text{RWA}_{\text{OPAD}}$$

**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 Prudential Consolidated - R\$ million		RWA		Minimum capital requirements
		Mar-24	Dec-23	Mar-24
<b>1</b>	<b>Credit Risk in the strictest sense</b>	<b>63,873</b>	<b>63,077</b>	<b>5,110</b>
2	Of which: determined using the standardized approach	63,873	63,077	5,110
3	Of which: determined through the basic IRB approach	0	0	0
5	Of which: determined through the advanced IRB approach	0	0	0
6	Counterparty Credit Risk (CCR)	1,147	1,329	92
7	<u>Of which:</u> standardized approach for counterparty credit risk (SA-CCR)	-	-	-
7a	<u>Of which:</u> CEM approach	679	870	54
9	<u>Of which:</u> other CCR	468	459	37
12	Equity investments in funds – look-through approach	716	752	57
13	Equity investments in funds – mandate-based approach	0	-	-
14	Equity investments in funds – fall-back approach	0	0	-
16	Securitisation exposures in banking book	211	218	17
<b>20</b>	<b>Market Risk</b>	<b>943</b>	<b>636</b>	<b>75</b>
21	<u>Of which:</u> standardized approach (SA)	943	636	75
22	<u>Of which:</u> internal model approach (IMA)	-	-	-
<b>24</b>	<b>Operational risk</b>	<b>6,356</b>	<b>7,086</b>	<b>509</b>
<b>1</b>	<b>Payments Risk</b>	<b>97</b>	<b>0</b>	<b>8</b>
<b>25</b>	<b>Values referring to exposures not deducted in the PR calculation</b>	<b>8,275</b>	<b>8,247</b>	<b>662</b>
<b>29</b>	<b>Total (2+6+10+12+13+14+16+25+20+24)</b>	<b>81,618</b>	<b>81,345</b>	<b>6,529</b>

1 - The total market risk RWA considers the RWACVA portion in the amount of R\$ 160 MM.

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

Base Date: Mar-24  
 Quarterly Update  
 Prudential Consolidated - R\$ million

	Risk factors	RWA <sub>MPAD</sub>
1	Interest rate	658
1a	Fixed Rate in Reais (RWA <sub>JUR1</sub> )	233
1b	Foreign Currency Coupon (RWA <sub>JUR2</sub> )	117
1c	Price Index Coupon (RWA <sub>JUR3</sub> )	309
1d	Interest Rate Coupon (RWA <sub>JUR4</sub> )	-
2	Shares (RWA <sub>ACS</sub> )	28.00
3	Foreign exchange (RWA <sub>CAM</sub> )	97
4	Commodity (RWA <sub>COM</sub> )	-
<b>9</b>	<b>Total</b>	<b>784</b>

1 - The total market risk RWA presented in this table differs from table OV1 due to the RWACVA portion, whose amount is R\$ 160 MM, and does not have a specific field for reporting on this base date.

## II. 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.

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

<i>Quarterly Update</i>		<b>Mar-24</b>	<b>Dec-23</b>
<i>Prudential Consolidated - R\$ million</i>			
	<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	128,385	134,947
2	Adjustments for equity items deducted in the calculation of Tier I	3,208	3,270
<b>3</b>	<b>Total exposure shown in the Balance Sheet</b>	<b>125,177</b>	<b>131,677</b>
	<b>Transactions using Derivative Financial Instruments</b>		
4	Replacement value for derivatives transactions	1,783	1,384
5	Potential future gains from derivatives transactions	1,030	941
7	Adjustment for collateral in derivatives transactions	-	-
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	-	-
9	Reference value for credit derivatives	-	-
10	Adjustment of reference value calculated for credit derivatives	-	-
<b>11</b>	<b>Total exposure for derivative financial instruments</b>	<b>2,813</b>	<b>2,325</b>
	<b>Repurchase Transactions and Securities Lending (TVM)</b>		
12	Investments in repurchase transactions and securities lending	401	304
13	Adjustment for repurchases for settlement and creditors of securities lending	-	-
14	Amount of counterparty credit risk	17,842	29,300
15	Amount of counterparty credit risk in transactions as intermediary	-	-
<b>16</b>	<b>Total exposure for repurchase transactions and securities lending</b>	<b>18,243</b>	<b>29,604</b>
	<b>Off-balance sheet items</b>		
17	Reference value of off-balance sheet transactions	7,619	7,714
18	Adjustment for application of FCC specific to off-balance sheet transactions	-3,466	-3,578
<b>19</b>	<b>Total off-balance sheet exposure</b>	<b>4,153</b>	<b>4,136</b>
	<b>Capital and Total Exposure</b>		
20	Tier I	11,650	11,722
<b>21</b>	<b>Total Exposure</b>	<b>150,386</b>	<b>167,742</b>
	<b>Leverage Ratio</b>		
<b>22</b>	<b>Basel III Leverage Ratio</b>	<b>7.7%</b>	<b>7.0%</b>

### III. Liquidity risk

#### 5) 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. Resolution No. 4,401/15, on the other hand, establishes the minimum limits and conditions for its observance.

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: Mar-24  
 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)		16,518
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	2,670	456
3	Stable deposits	-	-
4	Less stable deposits	2,670	456
5	Unsecured wholesale funding, of which:	16,457	8,329
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	16,117	7,988
8	Unsecured debt	341	341
9	Secured wholesale funding	-	3,839
10	Additional requirements, of which:	5,192	512
11	Outflows related to derivative exposures and other collateral requirements	575	282
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	4,617	231
14	Other contractual funding obligations	1,651	1,651
15	Other contingent funding obligations	6,955	239
16	<b>Total Cash Outflows</b>	<b>0</b>	<b>15,026</b>
<b>Cash Inflows</b>			
17	Secured lending (eg reverse repos)	941	0
18	Inflows from fully performing exposures	2,376	1,574
19	Other cash inflows	2,511	2,392
20	<b>TOTAL CASH INFLOWS</b>	<b>5,828</b>	<b>3,966</b>
<b>Adjusted Total value</b>			
21	<b>Total HQLA</b>		<b>16,518</b>
22	<b>Total net cash outflows</b>		<b>11,060</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>149.3%</b>
Comments	Considered the simple average of the closing dates for the months of January, February and March 2024.		