

Risk and Capital Management Report

March 2020





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Introduction

This document presents information related to risk management, disclosing the sum of risk-weighted assets (RWA¹) and the adequacy of the Prudential Conglomerate, comparing Accounting and Prudential information, presenting the leverage ratio, liquidity indicators, capitalization indicators and management remuneration, in accordance with the Brazilian Central Bank (BACEN), through Circular N° 3,930 / 19, and required by Pillar 3 rules of the Basel II Accord.

In accordance with the National Monetary Council (CMN) Resolution 4,557, the Institution has a formal disclosure policy and institutional structures and policies for risk management and capital management approved by the Board of Directors, and the basic principles observed in the management and control were established in compliance with the current regulations and market practices, as detailed in the specific chapters on each one of the topics to be presented in this report. As per the rules established by the regulator, through Circular No. 3,930 / 19, this document is divided into sections, which contain tables, presenting qualitative and

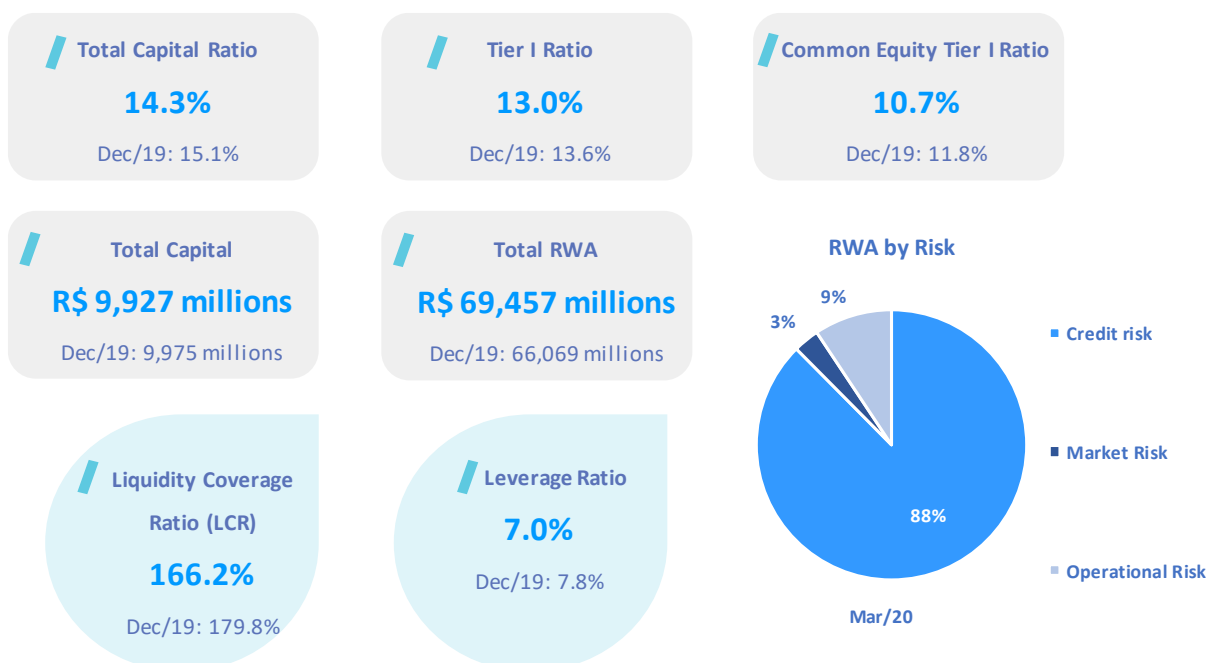
quantitative information, in fixed or flexible formats, and with different periodicities, as follows:

- 1st quarter: quantitative quarterly tables disclosure;
- 2nd quarter: quarterly tables update and quantitative half-yearly tables disclosure;
- 3rd quarter: quantitative quarterly tables update;
- 4th quarter: quarterly and half-yearly quantitative tables update and the annual quantitative and qualitative tables disclosure.

The next sections present the information for the 1st quarter of the year, which include tables KM1, OV1, LR2, LIQ1 and MR1. It should be noted that the market risk tables MR2, MR3 and MR4, which are updated quarterly, are exclusively disclosed by institutions authorized to use internal market risk models to calculate the daily value for the RWA_{MINT} portion.

Detailed information is described throughout this report and spreadsheets to support tables, available in the Investor Relations site at: www.bancovotorantim.com.br/ri and in Open Data format, available on the Bacen's webpage www.dadosabertos.bcb.gov.br.

Following are the main indicators on the base date of March 31, 2020, for the Prudential Conglomerate:



¹ Risk weighted assets

I. Risk and Capital Management and Prudential Indicators

1. Table KM1 – Key metrics at consolidated level

Prudential Consolidated - Amounts in R\$ million.

	mar/20	dec/19	sep/19	jun/19	mar/19
Available capital (amounts)					
Common Equity Tier I (CET1)	7,440	7,796	8,040	7,544	7,460
Tier I	9,041	9,008	9,322	8,695	8,658
Total Capital	9,927	9,975	10,383	9,808	9,903
Excess of resources invested on permanent assets	0	0	0	0	0
Total Capital Detachments	0	0	0	0	0
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	69,457	66,069	66,317	61,879	61,768
Risk-based capital ratios as a percentage of RWA					
CET1 ratio	10.7%	11.8%	12.1%	12.2%	12.1%
Tier I ratio	13.0%	13.6%	14.1%	14.0%	14.0%
Total Capital Ratio	14.3%	15.1%	15.7%	15.8%	16.0%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical capital buffer requirement	0.0%	0.0%	0.0%	0.0%	0.0%
Systemic capital buffer requirement	0.0%	0.0%	0.0%	0.0%	0.0%
Total of bank CET1 specific buffer requirements	2.5%	2.5%	2.5%	2.5%	2.5%
CET1 available after meeting the bank's minimum capital requirements	3.7%	4.8%	5.1%	5.2%	5.1%
Leverage Ratio (LR)					
Total exposure	129,157	115,453	117,706	112,704	113,162
LR	7.0%	7.8%	7.9%	7.7%	7.7%
Liquidity Coverage Ratio (LCR)					
Total high-quality liquid assets (HQLA)	11,992	14,499	13,638	11,663	11,355
Total net cash outflow	7,216	8,063	7,967	7,461	7,356
LCR ratio	166.2%	179.8%	171.2%	156.3%	154.4%
Net Stable Funding Ratio (NSFR)					
Total available stable funding (ASF)					
Total required stable funding (RSF)					
NSFR ratio					

2. Table OV1 – Overview of risk-weighted assets (RWA)

Prudential Consolidated - Amounts in R\$ million.

	RWA		Minimum capital requirements
	mar/20	dec/19	mar/20
Credit Risk- standardized approach (SA)	60,825	57,266	4,866
Credit Risk	50,122	48,946	4,010
Counterparty credit risk (CCR)	2,485	1,204	199
Of which: standardized approach for counterparty credit risk (SA-CCR)	0	0	0
Of which: CEM approach	2,141	695	171
Of which: other CCR	344	509	0
Increase related to the adjustment associated with the variation in the derivatives value due to the credit valuation adjustment (CVA)	1,500	595	120
Equity investments in funds – look-through approach	215	236	17
Equity investments in funds – mandate-based approach	0	0	0
Equity investments in funds – fall-back approach	0	0	0
Securitisation exposures in banking book	152	142	12
Amounts for exposures not deducted from total capital calculation	6,352	6,144	508
Market risk	2,150	2,500	172
Of which: standardized approach (SA)	2,150	2,500	172
Of which: internal model approach (IMA)	0	0	0
Operational risk	6,482	6,304	519
Total (2+6+10+12+13+14+16+25+20+24)	69,457	66,069	5,557

II. Leverage Ratio

1. Table LR2 - Leverage Ratio

Prudential Consolidated - Amounts in R\$ million.

	mar/20	dec/19
On-balance sheet exposures		
Balance sheet items other than derivative financial instruments, securities received on loan and resales for settlement under repurchase transactions	93,027	90,697
Adjustments for equity items deducted in calculating Tier I	2,697	2,294
Total on-balance sheet exposures	90,329	88,402
Transactions using Derivative Financial Instruments		
Replacement value for derivatives transactions	8,252	2,774
Potential future gains from derivatives transactions	4,479	2,149
Adjustment for daily margin held as collateral	0	0
Adjustment related to the deduction of the exposure related to qualified central counterparty (QCCP) in derivative transactions on behalf of clients in which there is no contractual obligation to reimburse due to bankruptcy or default of the entities responsible for the settlement and compensation of transactions	77	97
Reference value of credit derivatives	81	244
Adjustment of reference value calculated for credit derivatives	0	0
Total exposure for derivative financial instruments	12,734	5,070
Repurchase Transactions and Securities Lending		
Investments in repurchase transactions and securities lending	1,271	841
Adjustment for repurchases for settlement and creditors of securities lending	0	0
Amount of counterparty credit risk	19,533	16,108
Amount of counterparty credit risk in transactions as intermediary	0	0
Total Exposure on Repurchase Transactions and Securities Lending	20,804	16,949
Off-balance sheet items		
Reference value of off-balance sheet transactions	9,969	9,527
Adjustment for application of FCC specific to off-balance sheet transactions	-4,680	-4,495
Total off-balance sheet exposure	5,288	5,032
Capital and Total Exposure		
Tier 1 capital	9,041	9,008
Total exposure	129,157	115,453
Leverage ratio		
Leverage ratio	7.00%	7.80%

III. Liquidity Risk Management

1. Tabela LIQ1 - Liquidity Coverage Ratio (LCR)

Date Based: Mar/20

Prudential Consolidated - Amounts in R\$ million.

	a	b
	Unweighted amount	Weighted amount
Ativos de Alta Liquidez (HQLA)		
Total High Quality Liquid Assets (HQLA)		11,992
Saídas de caixa		
Retail funding, of which:	1,083	204
Stable funding	0	0
Less stable funding	1,083	204
Non-collateralized wholesale funding, of which:	12,448	6,076
Operating deposits (all counterparties) and affiliated cooperative deposits	0	0
Non-operational deposits (all counterparties)	12,297	5,925
Non-collateralized obligations	151	151
Collateralized wholesale funding	0	1,959
Additional requirements, of which:	3,003	569
Related to exposure to derivatives and other collateral requirements	671	452
Related to funding losses through the issue of debt instruments	0	0
Related to lines of credit and liquidity	2,333	117
Other contractual obligations	997	997
Other contingent obligations	7,461	547
Total Cash Outflows		10,352
Cash inflows		
Collateralized loans	1,325	35
Outstanding loans whose payments are fully up-to-date	2,235	1,358
Other cash inflows	1,776	1,744
Total Cash Inflows	5,336	3,137
		Total Adjust
Total HQLA		11,992
Total net cash outflows		7,216
Liquidity Coverage Ratio (LCR)		166.2%

IV. Market Risk Management

1. Table MR1: Market Risk under Standardized Approach

Date Based: Mar/20

Prudential Consolidated - Amounts in R\$ million.

Fatores de risco	RWAMPAD ^a
Interest rate	591
Fixed Rate in Reais (RWA _{JUR1})	415
Foreign Currency Coupon (RWA _{JUR2})	114
Price Index Coupon (RWA _{JUR3})	61
Interest Rate Coupon (RWA _{JUR4})	0
Shares (RWAACS)	6
Foreign exchange (RWACAM)	1,553
Commodity (RWACOM)	0
Total	2,150