Pillar 3

Report 2022

bradesco
europa

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1. Banco Bradesco S.A.

1.1. Presentation of the report

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

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

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

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

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

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

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

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

On the following pages, there’s a summary of the Banco Bradesco S.A. Pillar 3 report of 4Q 2022. If necessary, the full report can be found on our Investor Relations website at www.bradescori.com.br (Market Information – Risk Management).

1.2. Regulatory risk indicators

Key Metrics - December 2022 (USD million)		Bradesco Group	Bradesco Europa
Available capital (amounts)			
1	Common Equity Tier I (CET1)	20,411	545
2	Tier I	23,118	545
3	Total Capital	27,653	545
3b	Excess of resources invested on permanent assets	-	-
3c	Total Capital Detachments	-	-
Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	186,214	2,322
Risk-based capital ratios as a percentage of RWA			
5	CET1 ratio	11.0%	23.4%
6	Tier I ratio	12.4%	23.4%
7	Total Capital Ratio	14.8%	23.4%
Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (1)	2.5%	2.5%
9	Countercyclical capital buffer requirement	0.0%	0.0%
10	Systemic capital buffer requirement	1.0%	0.0%
11	Total of bank CET1 specific buffer requirements	3.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements	3.0%	12.9%
Leverage Ratio (LR)			
13	Total exposure	314,264	3,010
14	LR	7.4%	18.1%
Liquidity Coverage Ratio (LCR)			
15	Total high-quality liquid assets (HQLA)	38,063	131
16	Total net cash outflow	23,773	57
17	LCR ratio	160.1%	231.1%
Net Stable Funding Ratio (NSFR)			
18	Total available stable funding (ASF)	168,223	1,308
19	Total required stable funding (RSF)	139,647	1,099
20	NSFR ratio	120.5%	119.0%

(1) The no comply with Additional CET1 buffer rules causes restrictions on the dividends payment and interest on shareholders' equity, net surplus, share repurchase, reduction of capital, and variable compensatio to its administrators.
(2) USD/BRL (31/12/2022): 5.2177.

1.3. Scope of risk management

The scope of the Organization risk management achieves a broadest view, allowing the risks of the Economic-Financial Consolidated to be supported by the risk management corporate process in order to sustain the development of its activities. For this purpose, the Organization is structured through the three lines model in which all contributes in order to achieve the objectives with a reasonable margin of security.

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

1.4. Risk appetite statement (RAS)

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

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

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

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

1.5. Risk map

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

- **Credit risk –** represented by the possibility of losses due to the borrower or the counterparty not meeting their respective financial obligations under the agreed-upon terms, as well as, the depreciation of the credit agreement, resulting from the downgrading of the borrower's credit rating, the reduction of gains or remuneration, advantages granted in renegotiation, recovery costs, and other amounts related to the counterparty not meeting its financial obligations. Also includes **Transfer (Country) Risk**, represented by the possibility of losses related to non-fulfillment of obligations associated with a counterparty or mitigating instrument located outside of the Country, including sovereign risk and the possibility of losses due to, issues in the currency exchange of amounts received outside of the Country associated with the operation subject to the credit risk. The **Counterparty's Credit Risk** is represented by the possibility of loss due to the non-compliance by the counterparty with the obligations relating to the settlement of operations involving financial asset trading, including the settlement of derivative financial instruments or decrease of the counterparty's credit standing and **Concentration Risk** is represented by the possibility of loss due to significant exposure to a counterparty, risk factor, product, economic sector or geographic region, mitigator, etc.
- **Market risk –** represented by the possibility of financial loss due to fluctuating prices and market interest rates of the Organization's financial assets as its asset and liability portfolios may show mismatched amounts, maturities, currencies and indexes.
- **Operational risk –** represented by the possibility of losses arising from faulty, deficient or inadequate internal processes, people and systems, or external events.
- **Insurance risk –** resulting from an adverse economic situation, which is contrary to insurance company's expectations upon the preparation of its insurance policy, as well as the uncertainties in estimated provisions.
- **Liquidity risk –** represented by the possibility of the Organization not being able to efficiently meet its obligations, without affecting its daily operations and incurring significant losses, as well as the possibility of the Organization not being able to trade a position at market price due to its high amount when compared to the usually traded volume or due to some market discontinuation.
- **Social, environmental and climate risks –** represented by potential damages that a business may cause to the society, the environment and climate. These risks, when associated with financial institutions are mostly indirect and result from business relations, including those with the supply chain and customers through financing and investing activities. **Social Risk** comprises the fundamental rights violation and guarantees such as the practice of slave labor and child labor. **Environmental Risk** encompasses environmental degradation and excessive use of natural resources. **Climate Risk** refers to impacts from the transition process to a low carbon economy (transition risk) as well as changes in weather patterns, frequency, and intensity of extreme events (physical risk).
- **Strategic risk –** represented by the deterioration possibility in results, capital and/or strategic indicators (in relation to plan) due to business decisions not according with the strategy, inadequate decisions in the process of implementation, as well as lack and/or insufficient reaction to changes in the business environment.
- **Reputational risk –** represented by the loss of credibility before customers, counterparts, government agencies and market or community, resulting from undue and improper actions, acts and behavior.
- **Model risk –** represented by the possibility of losses due to models with failures or deficiencies in the development process, or inappropriate use.
- **Step-in risk –** represented by the possibility of financial loss, resulting from the Organization's relationships (contractual or not) with subsidiaries, affiliates, parallel structures, parent companies, investment funds, foundations, suppliers and partners not consolidated in the Prudential Conglomerate.
- **Compliance risk** – it is the risk arising from legal or administrative sanctions, financial losses, reputation and other damages due to non-compliance or failure to observe the legal framework, the infralegal regulation, the recommendations of regulatory bodies and of self-regulatory organizations and ethical conduct codes applicable to the developed activities by the Organization.
- **Cyber security risk** – represented by the possibility of cyber incidents, including attacks, intrusions and leakage, that could compromise the confidentiality, integrity and/or availability of critical Organization’s processes, assets and/or infrastructure.

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

- **Risk of global financial instability**: in a scenario of higher interest rates in developed economies, persistent inflation, worsening growth and high uncertainties, there may be unforeseen consequences on liquidity, credit and global financial stability;
- **Risk of fiscal regime weakening in Brazil:** measures that compromise the spending cap or the Fiscal Responsibility Law and weaken the Brazilian fiscal framework raise risk premiums, with adverse impacts on the domestic assets prices, the neutral interest rate of the economy, the confidence of economic agents and future growth. This situation tends to be enhanced by the absence of structural reforms that lead to potentially greater GDP growth;
- **Inflation persistence risk:** disinflation does not materialize, either due to new shocks or the inflationary pressures generalization on goods and services. In this context, the Central Bank could adopt an even more restrictive monetary policy, being led to raise interest rates again, with negative implications for economic activity and confidence;
- **Geopolitical risks:** further developments in the war in Ukraine or the intensification of tensions between West and East, such as the dispute between China and Taiwan, could further deteriorate expectations for world growth and keep global inflation under pressure;
- **Social, environmental and climate risks:** events that can impact the perceptions and confidence of economic agents, with the potential of negatively affect economic growth and business in general, in addition to causing deterioration of the country's image at the international level.

1.6. Risk management corporate process

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

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

Risk and capital management policies

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

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

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

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

Risk and capital management structure

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

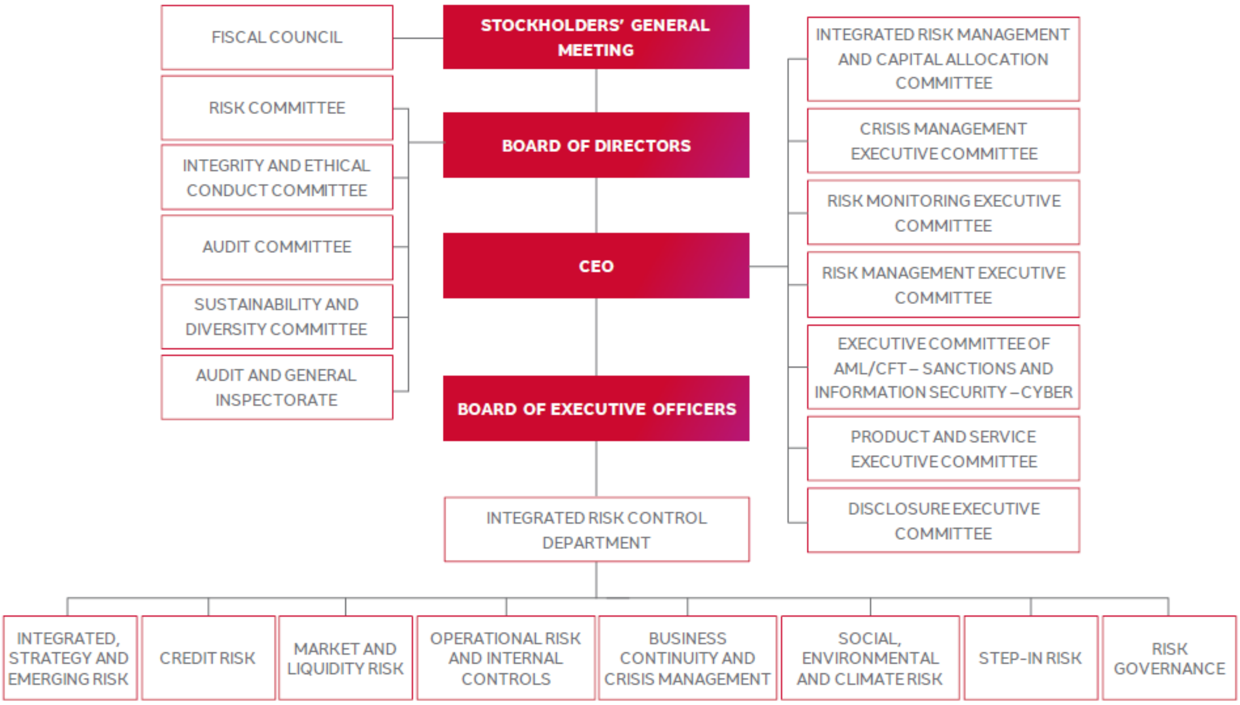
The Organization has the Integrated Risk and Capital Allocation Management Committee – COGIRAC, whose duties are to support the CEO on the performance of its attributions related to the management and control of all risks and the Organization's capital.

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

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

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

It is worth highlighting the Integrated Risk Control Department (DCIR), responsible for implementing risk control and capital allocation through solid practices and certification of the existence, execution and effectiveness of controls which ensure acceptable risk levels in the Organization's processes, on an independent, consistent, transparent and integrated manner. This Department is also responsible for complying with the Central Bank of Brazil rules for risk management activities.



Risk and capital management governance

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

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

Board of Directors	■ Approves and revises risk management strategies, and risk and capital management structures and policies, including risk appetite and exposure limits by types of risk, as well as the stress testing program, its results, scenarios and assumptions applied.
Risk Committee	■ Evaluates risk appetite levels set in the Risk Appetite Statement (RAS) and the strategies for its management; ■ Oversees the CRO's activities and performance; ■ Supervise the fulfillment of the RAS terms by the Senior Management; ■ Evaluates the levels of adherence of the risk management processes structure to established policies; ■ Proposes recommendations to the Board of Directors on policies, strategies and limits for risk and capital management, stress testing program, business continuity policy, capital and liquidity contingency plans, and capital planning.

Audit Committee	■ Revises the integrity of financial statements; ■ Recommends to the Board of Executive Officers corrections or improvements to policies, practices and procedures identified within the scope of its duties.
Integrity and Ethical Conduct Committee	■ Ensures that infractions and violations of corporate and sectoral Codes of Ethical Conduct; and breaches of anti-corruption and competitive conduct are followed by applicable disciplinary actions, regardless of hierarchical level, and without prejudice to applicable legal penalties; ■ Ensures that the Board of Directors is aware of matters that may have a significant impact on the Bradesco Organization's image; ■ Forwards for deliberation of the Board of Directors, the subjects related to the Bradesco Organization's Directors.
Audit and General Inspectorate	■ Certifies the business risk management process; ■ Ensures compliance with policies, rules, standards, procedures and internal and external regulations; ■ Recommends improvements to the internal control environment.
Executive Committee	
Disclosure	■ Supports Senior Management in evaluating the disclosure of transactions and relevant information related to the Organization; ■ Evaluates reports to ensure they are prepared in accordance with controls and procedures defined for their preparation.
Integrated Risk Management and Capital Allocation (COGIRAC)	■ Validates and submits for evaluation by the Risk Committee and deliberation of the Board of Directors the appetite and exposure limits by types of risk; ■ Validates and submits for evaluation by the Risk Committee and deliberation by the Board of Directors the risk and capital management policies; ■ Validates and submits for evaluation by the Risk Committee and deliberation by the Board of Directors the stress testing program, including the parameters, scenarios, its probabilities, assumptions, its results and the management mitigating actions for the impacts; ■ Ensures compliance with risk and capital management policies; ■ Monitors risk profile, performance, capital requirements and sufficiency exposure versus limits and risk control; ■ Assesses the effectiveness and compliance of Internal Controls System;
Risk – Risk Monitoring – Risk Management	■ Guarantee policies compliance and ensure effectiveness of the risk and capital management; ■ Approve and follow up consideration of definitions, criteria and procedures to be adopted, in addition to methodologies, models and tools used in management and measurement of risk and capital; ■ Approve and monitor information on risk exposure level, both consolidated and by area; ■ Evaluate and submit policy, structure, roles and responsibilities, risk appetite, adequacy assessment and capital plan to COGIRAC validation; ■ Monitor market movements and developments, evaluating the implications and risks and capital; ■ Approve action plans that will mitigate/address high residual risks with implementation date of up to 12 months; ■ To be aware of the rules, guidelines and orientations issued by national and international regulatory bodies; ■ To be aware of the work performed by internal and external audits related to risk management.

Crisis Management	■ Evaluates the crisis event and deliberates on possible actions to mitigate and contain the crisis event.
AML/CFT - Sanctions and Information Security - Cyber	■ Guarantee policies compliance and ensure the effectiveness of the corporate security, anti-money laundering and counter-terrorism financing processes; ■ Evaluate and submit to COGIRAC validation the policy and respective guidelines related to corporate security, information governance, anti-money laundering and counter-terrorism financing.
Product and Service	■ Ensures that all risks have been pointed out and are acceptable, resolving on the creation, change, suspension or discontinuity of products and services, taking into consideration the customer's profile.
Collection and Recovery	■ Resolves on proposals for the renegotiation of debts overdue or with potential risk loss; ■ Approves corporate rules, procedures, measures and guidelines related to the Credit Collection and Recovery; ■ Defines limits of authorization to approve debt renegotiation.
Credit	■ Makes collegiate decisions to verify limits or operations involving credit risk, proposed by Organization's Premises and Companies.
Treasury for Asset and Liability Management	■ Define strategies for managing assets and liabilities based on an analysis of the domestic and international political and economic scenarios and for pricing asset, liability and derivative operations with Organization customers; ■ Evaluate external asset hedging strategies; ■ Validates the proposed risk exposure tolerance limits and liquidity rule and submit them for approval to the Integrated Risk Management and Capital Allocation Committee.
Treasury	■ Define Treasury strategies to optimize results based on the analysis of domestic and international economic and political scenarios; ■ Validates and submits for the Integrated Risk Management and Capital Allocation Committee's approval of the proposals for tolerance thresholds of exposure to Treasury risks; ■ Monitors results, behaviors and risks of the Trading Portfolio, the mismatches of assets and liabilities, and the clients' portfolio.
Strategic Planning	■ Evaluates positions on the strategy risk and defines actions for its mitigation.

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

Stress testing program

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

In the stress test program, scenarios are prepared by the Studies and Economic Research Department (DEPEC) and discussed with Business, Integrated Risk Control Department (DCIR), Controllership Department, among other areas. Those scenarios and results are discussed and approved by the Stress Testing Technical Commission (COTES), being validated by COGIRAC . Subsequently, they are submitted for evaluation by the Risk Committee and deliberation of the Board of Directors, that besides scenarios and stress tests results are responsible for approving the program and the guidelines to be followed.

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

1.7. Capital management

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

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

Capital management corporate process

The Capital management corporate process provides the conditions required to meet the Organization's strategic goals and support the risks inherent to its activities.

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

2. Banco Bradesco Europa S.A.

2.1. Background and scope

Banco Bradesco Europa S.A. ("the Bank") is a Bank located at 25, rue Edward Steichen in Luxembourg and has about 55 employees.

As the Bank is 100% owned by Banco Bradesco S.A. (Brazil, the "Parent Company"), the Bank, therefore, has to comply with the consolidated disclosure requirements related to:

- the Part Eight of the Regulation (EU) No 575/2013, known as the Capital Requirements Regulation (CRR);
- the Circular CSSF 17/673 on the "Adoption of the EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA/GL2016/11);
- the Circular CSSF 18/676 on the "Adoption of the EBA Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013" (EBA/GL/2017/01);
- the Circular CSSF 23/830 on the Adoption of the EBA Guidelines on clarification on the public disclosure framework applicable to credit institutions and CRR investment firms (Pillar 3)" (EBA/GL/2022/13).

The elaboration of the document has been achieved in respect of the principle of proportionality. The document descriptions and figures reflect the Bank's situation as of 31 December 2022. These disclosures have been reviewed by the Board of Directors of the Bank and are published on its web site. The section 2.2 details a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement includes key ratios and figures providing a comprehensive view of the Bank's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.

2.2. Risk management objectives and policies

Risk management strategy

A sound and robust risk management framework is common to the Parent Company and its affiliates. The Bank's risk management process is focused along four core steps:

- effective risk identification considering both internal factors (i.e. the Bank's structure, the nature of activities, quality of human resources, organizational changes and employee turnover) and external factors (i.e. changes in the industry and technological advances) that could adversely affect the achievement of the Bank's objectives. Although risk identification falls primarily under the responsibility of line managers, every employee of the Bank has to be aware of the risk identification process and escalate any risk or potential risk to their respective superiors, who in turn escalates it to the Authorized Management;
- effective risk assessment allows the Bank to improve the comprehension of its risk profile and to effectively and efficiently target risk management resources;
- regular risk monitoring activities offer the Bank the advantages of quickly detecting and correcting deficiencies in the policies, processes and procedures for managing risk. The frequency of monitoring reflects the level of risk involved and depends on the frequency and nature of changes in the operating environment;
- effective risk controls are designed and implemented to address and mitigate risks.

The Bank specializes in two main activities in Luxembourg, namely Corporate Banking and Private Banking. In this context, the Bank's risk strategy is based on the following principles:

- the Bank manages risk within the framework of best banking practices and the framework defined by the Parent Company (Banco Bradesco S.A.). The Bank has comprehensive policies and procedures, many of which are business specific or cover risk management. It is primarily the responsibility of the Authorized Management to ensure compliance with these policies;
- the Bank maintains, as much as possible and where it is feasible, a policy of matching the tenor of assets with shareholders' funds and liabilities in order to achieve a minimum liquidity level always above of that required by the CSSF. This liquidity is placed in the overnight market with first class banks. Furthermore, in order to monitor and comply with internal objectives, Authorized Management always reviews the proposed and actual daily cash movements and commitments;
- the Bank follows the methodology used by the Parent Company for credit portfolio classification, which establishes a set of parameters for granting credit, provisioning and managing risk (credit risk grading system established by the Central Bank of Brazil) and facilitates the definition of differentiated credit policies based on the customer's specific characteristics and size, providing thus a basis for the correct pricing of operations and for establishing the most appropriate guarantees for each situation. In accordance with internal policy, the Bank's customer risk ratings are established on a corporate basis and are permanently reviewed to maintain the quality of the credit portfolio;

- the policy of the Bank is to manage operational risk at a comprehensive level. Each department remains responsible for the active identification and assessment of the risks it faces. However, the final responsibility for the management of those identified risks lies with the Authorized Management. The Bank's approach to operational risk management is to ensure that all risks in each business line are effectively managed. Every department reports directly to one dedicated member of the Authorized Management.

The risk reports reflect any identified problem area and motivate timely corrective actions on outstanding issues. The reports are analyzed in order to improve the performance of the existing risk management framework as well as to develop new risk limits and practices.

The Bank's reports are distributed to the appropriate levels of management and to the directly concerned areas of the Bank. Several key reports are used for the purpose of risk monitoring providing different risk metrics:

- Interest rate risk in the banking book (IRRBB) (i.e Economic Value of Equity, Earnings at Risk);
- Foreign exchange risk (i.e FX exposure);
- Credit risk (i.e days past-due, forbornes, defaults);
- Operational risk (i.e. incidents, financial losses, issues, corrective action plans);
- Liquidity risk (i.e asset & funding liquidity metrics, concentrations);
- ICT risk & security report (i.e. ICT security, ICT risk).

Besides the above dispositions, the Authorized Management has regular meetings with the all the managers of the Bank when each one has the opportunity to discuss and/or raise any issue/risk the Bank may incur due to any business.

Risk management governance

The Board of Directors:

The Board of Directors constitutes the strategic decision-making body of the Bank and the highest level of its corporate governance and oversight. The Board of Directors has the overall responsibility for the Bank. It ensures execution of activities and preserves business continuity by way of sound central administration and internal governance arrangements pursuant to the provisions of Circular CSSF 12/552 as amended.

To this end, in compliance with the legal and regulatory provisions and complementary to the roles of the Authorized Management and of the persons in charge of the internal control functions, the Board of Directors is collectively responsible for the following activities:

- definition of the following strategies: business, own funds and liquidity with respect to internal strategies of the Bank, taking into account the Parent Company's long term financial interests, solvency and liquidity situation;
- the overall risk strategy and policy, including the Bank's risk tolerance, risk appetite and risk management framework;
- definition of the guiding principles of a clear and consistent organizational and operational structure including the information systems;
- definition of the guiding principles relating to the internal control mechanisms;
- defining guiding principles regarding the central administration in Luxembourg;
- defining guiding principles applicable to business continuity management and crisis management arrangements;
- defining guiding principles related to the Remuneration policy;
- monitoring of the implementation by the Authorized Management of its internal governance strategies and guiding principles.

The number of directorships held by the members of the Board of Directors is detailed on the website of Banco Bradesco S.A..

The Authorized Management:

The Authorized Management is in charge of the effective, sound and prudent day-to-day business and inherent risk management. This management is exercised in compliance with the strategies and guiding principles laid down by the Board of Directors and the existing regulations, taking into account and safeguarding the Bank's long-term financial interests, solvency and liquidity situation.

The Authorized Management implements through internal written policies and procedures all the strategies and guiding principles laid down by the Board of Directors in relation to central administration and internal governance, in compliance with the legal and regulatory provisions and after having heard the internal control functions. They ensure that the Bank has the necessary internal control mechanisms, technical infrastructure and human resources to ensure sound and prudent business and inherent risk management within the context of robust internal governance arrangements pursuant to CSSF Circular 12/552, as amended.

The Authorized Management is collectively responsible of the following activities:

- to develop and implement an ICAAP and ILAAP for identifying, assessing, monitoring and reporting all risks faced by the business entities;
- to define, in writing, a Risk management policy and an own fund and liquidity policy based on guidelines given by the Board of Directors and ensuring their respect and their appropriateness;
- to establish a Risk Management function;
- to inform the Board of Directors, on a regular basis, on the risk situation of the Bank and the adequacy and the appropriateness of the Risk Management function;
- to take appropriate corrective measures if the risk situation and the level of own funds of the Bank are damaged;
- to ensure the implementation of a series of controls and processes covering different areas;
- to incorporate the recommendations of the banking supervisory authorities.

Details on the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise can be found on the website of Banco Bradesco S.A.

The Risk Management function:
In accordance with the CSSF Circular 12/552 as amended, the Bank established a permanent and independent Risk Management function, with the aim to anticipate, identify, measure, monitor, control and report all the risks to which the Bank is or may be exposed as well as to assist the Authorized Management in its role to manage and limit these risks. It ensures that the risks are properly managed in accordance with the regulatory requirements as well as internal limits. The Risk Management Department of the Bank is led by the Chief Risk Officer.

The Risk Management function is responsible for:

- ensuring that the regulatory and internal risk limits are compatible with the strategies, activities, as well as organizational and operational structure of the Bank. It monitors compliance with these limits and the proper application of the escalation procedures in case of a breach;
- ensuring that the Authorized Management and the Board of Directors receive a comprehensive, objective and relevant overview of the risks to which the Bank is or may be exposed;
- ensuring that the terminology, methods and technical resources used for the risk anticipation, identification, measurement, reporting, management and monitoring are consistent, in particular regarding dependencies between risks;
- ensuring that the qualitative and quantitative risk assessment is based on a range of relevant scenarios;
- anticipating and recognizing the emerging risks arising in a changing environment;
- ensuring that adequate risk management policies are in place and respected;
- communicating on the risk profile of the Bank on a regular basis;
- ensuring that regulatory and internal limits are consistent with the strategy, the activities and the organization of the Bank;
- implementing, in relation with the 1st line of defence, an adequate internal control system.

The Compliance function:
In accordance with the CSSF Circular 12/552 as amended, the Bank established a permanent and independent Compliance function, with the aim to anticipate, identify and assess the compliance risks of the Bank as well as to assist the Authorized Management in limiting these risks. The Compliance Department of the Bank is led by the Chief Compliance Officer.

For the purpose of reaching the objectives set, the responsibilities of the Compliance function covers at least the following aspects:

- identify the compliance risks to which the Bank is exposed in the exercise of its activities and assesses their significance and the possible consequences;
- ensure that, as per the implementation policies, the Bank has rules that can be used as guidelines by the staff from different disciplines in the exercise of its day-to-day tasks;
- coordinate, centralize and verify the control activities of the Bank related to compliance risks;
- centralize all information on compliance issues (inter alia infringements of standards, non-compliance with procedures or conflicts of interest) identified by the Bank;
- perform a regulatory watch and assist and advice the Authorized Management on issues of compliance and standards, notably by drawing its attention to changes in standards which may subsequently have an impact on the compliance area;
- identify and keep available to all staff an inventory of essential laws and regulations pertinent to the organization;
- advise the Authorized Management on the applicable laws, regulations, rules and standards and inform them about any developments in these areas;

- establish written guidelines to staff and service providers on the appropriate implementation of the laws, regulations, rules and standards through policies and procedures;
- assess the appropriateness of internal policies, procedures and guidelines, ensure a follow-up of any identified deficiencies, make recommendations for amendments, where necessary, and supervise the implementation of corrective measures to mitigate the identified deficiencies;
- monitor compliance with internal policies, procedures and guidelines by performing regular and comprehensive compliance risk assessments and testing and report the results on a regular basis.

The Internal Audit function:
In accordance with the CSSF Circular 12/552 as amended, the Bank outsourced the Internal Audit function to an external expert specialized in providing internal audit services. The Internal Audit function assists the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's control and governance processes. It assists Authorized Management in achieving their goals by furnishing information, appraisals and pertinent recommendations relating to the daily management's duties and objectives as well as the efficient use of the resources. The internal audit work is performed in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA).

The Internal Audit function reviews and assesses whether the central administration and internal governance arrangements are adequate and operate effectively. In this respect, the Internal Audit function is responsible for:

- internal control's efficiency and effectiveness;
- adequacy of the administrative, accounting and IT organization;
- accurate and complete registration of the transactions and the provision of accurate, complete and relevant information available without delay to the Authorized Management;
- compliance with the procedures governing the adequacy of the regulatory and internal own funds and liquidity, and the adequacy of the risk management;
- effectiveness of the compliance and risk management functions.

2.3. Risk Committees

The Bank established the following operational management committees to oversee the proper application of the risk management framework in the Bank:

- Asset-Liability Committee;
- Compliance, Credit & Operational Risk Committee.

Asset-Liability Committee:
The Asset-Liability Committee (ALCO) is mainly in charge to ensure that the balance sheet risks arising from the current, forecasted and planned business are managed in line with the Risk appetite approved by the Board of Directors. The ALCO oversees the implementation of an effective process to manage the Bank's interest rate, liquidity, and similar market risks in relation to the Bank's balance sheet and associated activities, including the approval of procedures or limits, if applicable. The ALCO takes place at least once a quarter.

Compliance, Credit & Operational Risk Committee:
The Compliance, Credit & Operational Risk Committee (CCORC) is mainly responsible to assist the Authorized Management in relation to compliance, credit risk, operational risk and general regulatory oversight.

The CCORC oversees the implementation of effective processes to manage and monitor compliance topics, risk relating to the Bank's credit activities and to its operations, including the approval of procedures or limits, if applicable. The CCORC takes place once a month.

2.4. Own fund resources

The Bank's own funds are only composed of Tier I capital and can be broken down as mentioned here below:

	USD
Common Equity Tier 1	544,519,903
Eligible Capital	268,350,000
Eligible Reserves	278,458,200
Other deductions from original own funds	-2,288,297
Additional Tier 1 Equity	-
Tier 2	-
Total Available Own Funds	**544,519,903**

The full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments are detailed in the table hereafter:

Item	Legal References	Amount (USD)
OWN FUNDS	Articles 4(118) and 72 of CRR	544,519,903
TIER 1 CAPITAL	Article 25 of CRR	544,519,903
COMMON EQUITY TIER 1 CAPITAL	Article 50 of CRR	544,519,903
Capital instruments eligible as CET1 Capital	Articles 26(1) points (a) and (b), 27 to 30, 36(1) point (f) and 42 of CRR	268,350,000
Fully paid up capital instruments	Articles 26(1) point (a) and 27 to 31 of CRR	268,350,000
Of which: Capital instruments subscribed by public authorities in emergency situations	Article 31 of CRR	-
Memorandum item: Capital instruments not eligible	Article 28(1) points (b), (l) and (m) of CRR	-
Share premium	Articles 4(124), 26(1) point (b) of CRR	-
(-) Own CET1 instruments	Articles 36(1) point (f) and 42 of CRR	-
(-) Direct holdings of CET1 instruments	Articles 36(1) point (f) and 42 of CRR	-
(-) Indirect holdings of CET1 instruments	Articles 4(114), 36(1) point (f) and 42 of CRR	-
(-) Synthetic holdings of CET1 instruments	Articles 4(126), 36(1) point (f) and 42 of CRR	-
(-) Actual or contingent obligations to purchase own CET1 instruments	Articles 36(1) point (f) and 42 of CRR	-
Retained earnings	Articles 26(1) point (c) and 26(2) of CRR	-
Previous years retained earnings	Articles 4(123) and 26(1) c) of CRR	-
Profit or loss eligible	Articles 4(121), 26(2) and 36(1) point (a) of CRR	-
Profit or loss attributable to owners of the parent	Articles 26(2) and 36(1) point (a) of CRR	19,682,422
(-) Part of interim or year-end profit not eligible	Article 26(2) of CRR	-19,682,422
Accumulated other comprehensive income	Articles 4(1)(100) and 26(1) point (d) of CRR	-
Other reserves	Articles 4(117) and 26(1) point (e) of CRR	278,458,200
Funds for general banking risk	Articles (4(112) and 26(1) point (f) of CRR	-
Transitional adjustments due to grandfathered CET1 Capital instruments	Articles 483(1) to (3), and 484 to 487 of CRR	-
Minority interest given recognition in CET1 capital	Article 4 (120) and 84 of CRR	-
Transitional adjustments due to additional minority interests	Articles 479 and 480 of CRR	-
Adjustments to CET1 due to prudential filters	Articles 32 to 35 of CRR	-
(-) Increases in equity resulting from securitised assets	Article 32(1) of CRR	-
Cash flow hedge reserve	Article 33(1) point (a) of CRR	-
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	Article 33(1) point (b) of CRR	-
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	Article 33(1) point (c) and 33(2) of CRR	-
(-) Value adjustments due to the requirements for prudent valuation	Articles 34 and 105 of CRR	-
(-) Goodwill	Articles 4(113), 36(1) point (b) and 37 of CRR	-
(-) Goodwill accounted for as intangible asset	Articles 4(113) and 36(1) point (b) of CRR	-
(-) Goodwill included in the valuation of significant investments	Article 37 point (b) and 43 of CRR	-
Deferred tax liabilities associated to goodwill	Article 37 point (a) of CRR	-
Accounting revaluation of subsidiaries' goodwill derived from the consolidation of subsidiaries attributable to third persons	Article 37 point (c) of CRR	-
(-) Other intangible assets	Articles 4(115), 36(1) point (b) and 37 point (a) of CCR	-1,314,236
(-) Other intangible assets before deduction of deferred tax liabilities	Articles 4(1)(115) and 36(1) point (b) of CCR	-1,314,236
Deferred tax liabilities associated to other intangible assets	Article 37 point (a) of CRR	-
Accounting revaluation of subsidiaries' other intangible assets derived from the consolidation of subsidiaries attributable to third persons	Article 37 point (c) of CRR	-
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	Articles 36(1) point (c) and 38 of CRR	-
(-) IRB shortfall of credit risk adjustments to expected losses	Articles 36(1) point (d), 40, 158 and 159 of CRR	-
(-)Defined benefit pension fund assets	Articles 4(109), 36(1) point (e) and 41 of CRR	-
(-)Defined benefit pension fund assets	Articles 4(1)(109), 36(1) point (e) of CRR	-
Deferred tax liabilities associated to defined benefit pension fund assets	Articles 4(108) and (109), and 41(1) point (a) of CRR	-
Defined benefit pension fund assets which the institution has an unrestricted ability to use	Articles 4(109) and 41(1) point (b) of CRR	-
(-) Reciprocal cross holdings in CET1 Capital	Articles 4(122), 36(1) point (g) and 44 of CRR	-

(-) Excess of deduction from AT1 items over AT1 Capital	Article 36(1) point (j) of CRR	-
(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1250% risk weight	Articles 4(36), 36(1) point (k) (i) and 89 to 91 of CRR	-
(-) Securitisation positions which can alternatively be subject to a 1250% risk weight	Articles 36(1) point (k) (ii), 243(1) point (b), 244(1) point (b), 258 and 266(3) of CRR	-
(-) Free deliveries which can alternatively be subject to a 1250% risk weight	Articles 36(1) point k) (iii) and 379(3) of CRR	-
(-) Positions in a basket for which an institution cannot determine the risk weight under the IRB approach, and can alternatively be subject to a 1250% risk weight	Articles 36(1) point k) (iv) and 153(8) of CRR	-
(-) Equity exposures under an internal models approach which can alternatively be subject to a 1250% risk weight	Articles 36(1) point k) (v) and 155(4) of CRR	-
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	Articles 4(27), 36(1) point (h); 43 to 46, 49 (2) and (3) and 79 of CR	-
(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	Articles 36(1) point (c); 38 and 48(1) point (a) of CRR	-
(-) CET1 instruments of financial sector entities where the institution has a significant investment	Articles 4(27); 36(1) point (i); 43, 45; 47; 48(1) point (b); 49(1) to (3) and 79 of CRR	-
(-) Amount exceeding the 17.65% threshold	Article 48(1) of CRR	-
(-) Amount exceeding the 17.65% threshold related to CET1 instruments of financial sector entities where the institution has a significant investment		-
(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences		-
(-) Insufficient coverage for non-performing exposures	Article 36 (1) point (m) and 47c of CRR	-974,061
(-) Minimum value commitment shortfalls	Article 36 (1) point (n) and 132c (2) of CRR	-
(-) Other foreseeable tax charges	Article 36 (1) point (l) CRR	-
Other transitional adjustments to CET1 Capital	Articles 469 to 472, 478 and 481 of CRR	-
(-) Additional deductions of CET1 Capital due to Article 3 CRR	Article 3 of CRR	-
CET1 capital elements or deductions - other		-

Item	Legal References	Amount (USD)
ADDITIONAL TIER 1 CAPITAL	Article 61 of CRR	-
Capital instruments eligible as AT1 Capital	Articles 51 point (a), 52 to 54, 56 point (a) and 57 of CRR	-
Fully paid up, directly issued capital instruments	Articles 51 point (a) and 52 to 54 of CRR	-
Memorandum item: Capital instruments not eligible	Article 52(1) points (c), (e) and (f) of CRR	-
Share premium	Article 51 point (b) of CRR	-
(-) Own AT1 instruments	Articles 52(1) point (b), 56 point (a) and 57 of CRR	-
(-) Direct holdings of AT1 instruments	Articles 4(114) 52 (1) point (b), 56 point (a) and 57 of CRR	-
(-) Indirect holdings of AT1 instruments	Articles 52 (1) point (b) (ii), 56 point (a) and 57of CRR	-
(-) Synthetic holdings of AT1 instruments	Articles 4(126), 52(1) point (b), 56 point (a) and 57 of CRR	-
(-) Actual or contingent obligations to purchase own AT1 instruments	Articles 56 point (a) and 57 of CRR	-
Transitional adjustments due to grandfathered AT1 Capital instruments	Articles 483(4) and (5), 484 to 487, 489 and 491 of CRR	-
Instruments issued by subsidiaries that are given recognition in AT1 Capital	Articles 83, 85 and 86 of CRR	-
Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	Article 480 of CRR	-
(-) Reciprocal cross holdings in AT1 Capital	Articles 4(122), 56 point (b) and 58 of CRR	-
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	Articles 4(27), 56 point (c); 59, 60 and 79 of CRR	-
(-) AT1 instruments of financial sector entities where the institution has a significant investment	Articles 4(27), 56 point (d), 59 and 79 of CRR	-
(-) Excess of deduction from T2 items over T2 Capital	Article 56 point (e) of CRR	-
Other transitional adjustments to AT1 Capital	Articles 474, 475, 478 and 481 of CRR	-
Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)	Article 36(1) point j) of CRR	-
(-) Additional deductions of AT1 Capital due to Article 3 CRR	Article 3 of CRR	-
AT1 capital elements or deductions - other		-

Item	Legal References	Amount (USD)
TIER 2 CAPITAL	Article 71 of CRR	-
Capital instruments eligible as T2 Capital	Articles 62 point (a), 63 to 65, 66 point (a), and 67 of CRR	-
Fully paid up, directly issued capital instruments	Articles 62 point (a), 63 and 65 of CRR	-
Memorandum item: Capital instruments not eligible	Article 63 points (c), (e) and (f); and article 64 of CRR	-
Share premium	Articles 62 point (b) and 65 of CRR	-
(-) Own T2 instruments	Article 63 point (b) (i), 66 point (a), and 67 of CRR	-
(-) Direct holdings of T2 instruments	Articles 63 point (b), 66 point (a) and 67 of CRR	-
(-) Indirect holdings of T2 instruments	Articles 4(114), 63 point (b), 66 point (a) and 67 of CRR	-
(-) Synthetic holdings of T2 instruments	Articles 4(126), 63 point (b), 66 point (a) and 67 of CRR	-
(-) Actual or contingent obligations to purchase own T2 instruments	Articles 66 point (a) and 67 of CRR	-
Transitional adjustments due to grandfathered T2 Capital instruments	Articles 483(6) and (7), 484, 486, 488, 490 and 491 of CRR	-
Instruments issued by subsidiaries that are given recognition in T2 Capital	Articles 83, 87 and 88 of CRR	-
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	Article 480 of CRR	-
IRB Excess of provisions over expected losses eligible	Article 62 point (d) of CRR	-
SA General credit risk adjustments	Article 62 point (c) of CRR	-
(-) Reciprocal cross holdings in T2 Capital	Articles 4(122), 66 point (b) and 68 of CRR	-
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	Articles 4(27), 66 point (c), 68 to 70 and 79 of CRR	-
(-) T2 instruments of financial sector entities where the institution has a significant investment	Articles 4(27), 66 point (d), 68, 69 and 79 of CRR	-
(-) Excess of deductions from eligible liabilities over eligible liabilities	Article 66 point (e) of CRR	-
Other transitional adjustments to T2 Capital	Articles 476 to 478 and 481 of CRR	-
Excess of deduction from T2 items over T2 Capital (deducted in AT1)	Article 56 point (e) of CRR	-
(-) Additional deductions of T2 Capital due to Article 3 CRR	Article 3 of CRR	-
T2 capital elements or deductions - other		-

2.5. Capital adequacy

Capital Requirement - (Pillar I):

The measurement of the minimum capital requirement is based on the CRR. The following table details for each risk the approach used by the Bank for the assessment of the regulatory capital at the 31 December 2022.

Risk	Approach	Regulatory capital requirements
Credit risk	Standardised Approach	180,424,913
Operational risk	Basic Indicator Approach	5,324,173
CVA	Original Exposure Method	17,263
Market risk	The Bank does not carry out any trading activities, therefore does not allocate capital for market risk exposure	
Regulatory capital requirement (Pillar I)	**185,766,350**	

Solvency ratio:

The solvency ratio for the two previous years are detailed below, together with the Total available own Funds and the Regulatory Capital Requirements. The Bank does not have Additional Tier I capital or Tier II capital.

Component	31/12/2021	31/12/2022
Total Available Own Funds	538,221,613	544,519,903
Regulatory capital requirements	252,483,369	185,766,350
Solvency Ratio (Pillar I)	**17.05%**	**23.45%**

External credit assessment institutions:

The Bank applies the Standardised approach for credit risk and uses ECAIs to assess the credit risk. The ECAIs primarly used are Moodys and Standard & Poors, in case ratings are not available from those ECAIs the Bank will use Fitch.

When an external rating from an ECAI is available, the Bank will always use it.

Almost all the credit institutions the Bank works with have an external credit rating.

The Bank grants loans to commercial companies, the majority of them don't have any external credit rating issued by an ECAI. In that case persuant to article 122 the Bank applies a risk weight of 100%.

The association of the external rating of each nominated ECAI with the credit quality steps under the standardized approach is detailed in the table below:

S&P	Fitch	Moody's	Regulatory credit quality step
AAA to AA-	AAA to AA-	Aaa to Aa3	1
A+ to A-	A+ to A-	A1 to A3	2
BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	3
BB+ to BB-	BB+ to BB-	Ba2 to Ba3	4
B+ to B-	B+ to B-	B1 to B3	5
CCC+ and below	CCC+ and below	Caa and below	6

Internal Capital & Liquidity Adequacy Assessment Process - (Pillar II):

Method:

The Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP) aims to summarize the risk exposure of Banco Bradesco Europa S.A. and to evidence that the Board of Directors of the Bank has identified and assessed the major sources of risks to which the Bank might be exposed and the approach to mitigate these risks.

In order to maximize value, the Authorized Management of the Bank established a strategy and objectives to strike an optimal balance between growth and return with the associated risks.

Following the SREP assessment, the Bank has to hold own funds in excess of the capital requirements set out in article 92 (1) of Regulation (EU) N° 575/2013 (CRR) and Part II Chapter 5 of the LFS. Therefore, the Bank must meet at all times a TSCR (Total SREP capital requirement) of 8.50% of the Bank's Total risk exposure amount (TREA). Of these 8.50% of TREA, 8% of TREA represent own funds required as specified in article 92 (1) CRR and 0.50% of TREA represent the additional own funds further to article 28 (1) of CSSF 15-02.

The TSCR is then summed to the combined buffer requirement set for the Bank at 2.5% of TREA corresponding to the capital conversation buffer as defined in article 59-5 LFS. As a consequence, the Overall capital requirement (OCR) is 11.0%.

Countercyclical capital buffer disclosure:

Country	Add-on (% of RWA)	Exposure by country	
AO	0.0%	53,058	0.0%
BR	0.0%	1,500,325,915	49.8%
BS	0.0%	1,613,852	0.1%
CH	0.0%	60,446,222	2.0%
DE	0.0%	247,457,211	8.2%
ES	0.0%	108,751	0.0%
FR	0.0%	126,101,092	4.2%
GB	0.0%	140,402,703	4.7%
KY	0.0%	107,376,939	3.6%
LU	0.5%	64,107,086	2.1%
NL	0.0%	116,181,711	3.9%
PT	0.0%	1,343,075	0.0%
SE	0.0%	176,078,418	5.8%
US	0.0%	449,704,339	14.9%
VG	0.0%	20,023,883	0.7%
TOTAL		**3,011,324,256**	

Risk appetite, identification of material risk and risk profile:

The risk appetite is defined as follows:

- the broad-based amount of risks that the Bank is willing to accept in the pursuit of its missions or vision;
- the level of aggregated risk that the Bank is willing to undertake and the management of it over a horizon of one year;
- the Bank's ability and/or willingness to absorb a reduction in the value of an asset, liability, trade, transaction, or portfolio.

Risk identification is the process whereby material risks are recognized, and where risk sources in all business activities and risk drivers are linked to events and their potential consequences. In order to ensure that risks to which the Bank is exposed to are proportionately and systematically managed and fully assessed, the Bank established a risk classification of its material risks in order to ensure an adequate coverage in terms of assessment, management, mitigation and reporting.

In this respect, the table below shows a list of the material risks and their related subcategories (sub-type categories) to which the Bank is exposed.

Level 1	Level 2
Credit Risk	Corporate Loans Credit Risk
	Private Bank Loans Credit Risk
	Credit Card Credit Risk
	Sovereign & Country Credit Risk
	Concentration Credit Risk
	Counterparty Credit Risk
	FX Lending Credit Risk
	Climate-related and environmental Risk
Market Risk	Forex Risk
Interest Rate Risk in the Banking Book (IRRBB)	Gap Risk
	Basis Risk
	Option Risk
Operational Risk	Operational Risk
	ICT Security Risk
	Compliance Risk
	Regulatory Risk
	Legal Risk
	Reputational Risk
	Model Risk
	Outsourcing Risk
Liquidity Risk	Asset Liquidity Risk
	Funding Liquidity Risk
	Join Asset/Funding Liquidity Risk
Business Risk Risk	Strategic Risk
	Profitability Risk
	Macroeconomic Risk

As per ICLAAP, the Bank goes through an assessment exercise by its Authorized Management, which, for the different categories of risks deemed relevant, includes the maximum financial impact, the likelihood, thereby yielding, through multiplication, the potential loss.

The total amount of the potential losses is covered by the regulatory capital. For Pillar II risk amounts, residual risk was retained. The fundamental assumption behind this approach is that the Bank has implemented an effective control environment and management structure such that mitigating factors are effective.

Stress tests:

Stress tests are used to analyze the impact of stressed events on the capital and liquidity of the Bank over a time horizon of three years. The objective of this assessment is to ensure that the Bank's risk mitigation controls, capital, liquidity and the capital and liquidity contingency plan can withstand the consequences of a high-impact low-likelihood event.

The Bank performed integrated stress tests integrating capital and liquidity assumptions and covering the following 3 scenarios:

- a idiosyncratic scenario;
- a systemic scenario;
- a combination of the two.

Internal capital & liquidity calculation:

The internal capital represents the amount of capital that the Bank considers sufficient to operate with in relation to the risks it faces. Internal capital has been estimated as the sum of the regulatory capital requirement (Pillar I) and the capital requirement (Pillar II) for the risks partially or not comprised in the regulatory capital, including the results of the stress tests. Internal liquidity is estimated as the required liquidity buffer for the liquidity risks partially or not comprised in the regulatory capital, including the results of the stress tests.

2.6. Credit risk process, measurement and control

Credit risk overview:

The Bank defines the credit risk as the risk that a financial obligation to the Bank will not be paid and a loss will occur. Credit risk arises anytime funds are extended or advanced, committed, invested or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Credit risk capital requirement has been considered in the sense of Regulation (EU) No 575/2013. The Bank uses the standardized approach for credit risk. The application of risk weights is based on the exposure class to which the exposure is assigned and its credit quality (if rated).

Credit risk management process:

The lending activities are carried out according to the credit policies of the Bradesco Group. The credit evaluation process and risk grading system are centralized in the Parent Company office in Brazil observing the guidelines of the banking supervisory authorities and market practices.

The credit risk grading system supports the establishment of parameters for granting credit, managing risk and defining credit policies adequate to the client's specific characteristics and size. Also, it provides a basis for the adequate pricing of operations and for establishing the appropriate level of guarantees for each situation. Client risk ratings are established on a corporate basis and are permanently reviewed to monitor the quality of the credit portfolio. All credit transactions are subject to the prior approval of the Parent Company's Credit Committee and ratification by the local Credit Department, Credit Commission and Authorized Management. The regulatory maximum exposure limit to any individual borrower or economic group is monitored on a permanent basis.

The credit analysis is done by the Credit Department of Banco Bradesco S.A. in Brazil and a second one is performed by the Credit Department of the Bank. The credit monitoring is also performed by the Parent Company, however the Credit Department and the Authorized Management in Luxembourg have a direct access to the credit evaluation system on the mainframe computer in Brazil and can therefore consult and critically evaluate the analyses performed by the Credit Committee.

The Authorized Management acknowledges the existence of counterparty risk for interbank placements through the initial choice of counterparties and the periodic establishment of counterparty limits to reflect periodic changes in counterparty risk.

Overall, counterparty risk is considered non-significant as the Bank does not have a trading book and does not have any positions in derivative instruments. Regarding short-term money market transactions, the Bank only deals with a limited number of counterparties with a recognized reputation and financial standing, duly approved by the Parent Company.

The Bank has not transferred any credit risks by means of securitisation vehicles or derivative instruments. The credit risk is only relevant for the corporate lending activities as some exposure may not be collateralized.

Credit risk measurement and exposure:

The credit exposure as of 31 December 2022 per type of counterparty is summarized as follows:

- Breakdown by economic sector/category of counterparty:

Counterparty breakdown	Exposure value before conversion factors (USD)	Capital requirements (USD)	% of total capital requirements
Central Banks	149,216,141	-	0.00%
Credit Institutions	263,180,758	136,344,928	73.40%
Corporate	2,569,923,214	42,719,705	23.00%
Customers	17,383,688	430,599	0.23%
Others	11,621,025	929,682	0.50%
Total	**3,011,324,826**	**180,424,913**	

- Breakdown by country:

Geographical area	Exposure
Angola	53,058
Brazil	1,500,325,915
Bahamas	1,613,852
Germany	247,457,211
France	126,101,092
Great Britain	140,402,703
Cayman	107,376,939
Luxembourg	64,107,086
Netherlands	116,181,711
Panama	570
Portugal	1,343,075
Spain	108,751
Sweden	176,078,418
Switzerland	60,446,222
United States	449,704,339
Virgin Islands	20,023,883
Total	**3,011,324,826**

- Breakdown by maturities:

Maturities	Exposure
Less than 1 month	149,216,141
More than 1 month but less than 1 year	1,813,797,423
More than 5 years	1,035,621,822
More than 1 year but less than 5 years	-
Past due	118,932
Total	**2,998,754,317**

- Average amount of the exposures over the period broken down by different types of exposure classes:

Description	Exposure value	Exposure after RWA
Central governments or central banks	165,061,602	-
Institutions	533,270,103	2,213,271,161
Corporates	2,672,004,270	521,759,210
Retail	18,774,928	5,358,627
Other items	10,585,290	10,585,290
Total	**3,399,696,193**	**2,750,974,289**

- Own funds requirements by exposure class:

Exposure Class	Own funds Requirements
Central governments or central banks	-
Regional governments or local authorities	-
Public sector entities	-
Multilateral Development Banks	-
International Organisations	-
Institutions	1,704,311,594
Corporates	533,996,309
Retail	5,382,488
Secured by mortgages on immovable property	-
Exposures in default	-
Items associated with particular high risk	-
Covered bonds	-
Claims on institutions and corporates with a short-term credit assessment	-
Collective investments undertakings (CIU)	-
Equity	-
Other Items	11,621,025
Total	**2,255,311,417**

- Distribution of the exposures by industry or counterparty type:

Industry	Exposure
A Agriculture, Forestry and fishing	17,684,280
B Mining and Quarrying	-
C Manufacturing	1,221,162,583
D Electriticy, Gas, Steam and Air conditioning supply	14,253,642
E Water supply, Sewerage, Waste management and remediation activities	17,845,559
F Construction	152,264,004
G Wholesale and retail trade, Repair of motor vehicules and motorcycles	707,237,899
H Transportation and storage	47,091,864
J Information and communication	4,441,157
K Financial and insurance services	325,381,044
L Real Estate activities	3,908,020
M Professional, Scientific and Technical activities	246,169,011
N Administrative and Support Service activites	22,818,222
O Public Administration and Defence, compulsory social security	2,811,265
P Education	644,612
Q Human Health and socila work activities	14,437,472
R Arts, Entertainment and Recreation	1,973,833
S Other service activities	185,175,424
T Activies of households as employers; undifferentiated goods- and services-producing activies of households for own use	13,454,425
Total	**2,998,754,317**

Credit risk adjustments:

The Bank has extended its accounting standards by adapting the IFRS 9 norm, which includes the implementation of the IFRS 9 framework on impairment. For the identification of 'impaired' assets, the Bank applies the definition of 'credit-impaired financial assets' as defined in Appendix A of the IFRS 9 standards:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Bank considers an asset "past due" when a counterparty has failed to make a payment when that payment was contractually due.

To determine credit risk adjustments, the Bank implemented an "Expected Credit Loss" Model, based on the default probabilities of its counterparties and the loss given defaults and exposure at default of the asset.

The credit risk adjustments and related exposures as of 31 December 2022 per type of counterparty is summarized as follows:

- Past-due exposures:

	Performing	Unlikely to pay that are not past-due	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year
Credit institutions	149,216,141	-	-	-
Corporations	113,305,399	-	-	-
Non - financial corporations	1,808,052,000	2,192,597	-	-
Households	9,268,747	-	-	-
Households	5,353,514	-	-	-

- Impaired exposures:

	Gross carrying amount Of which: Credit-impaired instruments (Stage 3)	ECL Of which: Credit-impaired instruments (Stage 3)	Net carrying amount Of which: Credit-impaired instruments (Stage 3)
Loans and advances	**2,192,597**	**-26,472**	**2,166,125**
Central banks	-	-	-
General governments	-	-	-
Credit institutions	-	-	-
Other financial corporations	-	-	-
Non-financial corporations	2,192,597	-26,472	2,166,125
Of which: Small and Medium-size Enterprises	-	-	-
Of which: Loans collateralised by commercial immovable property	-	-	-
Households	-	-	-
Of which: Loans collateralised by residential immovable property	-	-	-
Of which: Credit for consumption	-	-	-
Debt instruments at amortised cost	**2,192,597**	**-26,472**	**2,166,125**

- Credit risk adjustments:

	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)
General governments	-71,975	-	-
Credit institutions	-109,971	0	0
Other financial corporations	-499	0	0
Non-financial corporations	-162,239	-7,319	-26,472
Households	-1,121	-0.81	0
Debt instruments at amortised cost	**-345,805**	**-7,320**	**-26,472**

- Reconciliation of changes in the specific and general credit risk adjustments for impaired exposures:

Gross carrying amount / nominal amount	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
Debt securities	-	-	-	-	-	-
Central banks	-	-	-	-	-	-
General governments	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-
Loans and advances	-	2,719,271	-	-	-	-
Central banks	-	-	-	-	-	-
General governments	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-
Non-financial corporations	-	2,719,271	-	-	-	-
Households	-	-	-	-	-	-
Total debt instruments	-	**2,719,271**	-	-	-	-
Commitments and financial guarantees given	-	-	-	-	-	-

	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Closing balance
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**-639,283**	**-237,208**	**410,621**	**118,031**	**-347,839**
Cash balances at central banks and other demand deposits	-1,135	-1,045	2	145	-2,034
Debt securities	-33,842	-	-	-38,134	-71,975
General governments	-33,842	-	-	-	-71,975
Loans and advances	-604,306	-236,163	410,619	156,019	-273,830
General governments	-	-	-	-	-
Credit institutions	-265,134	-83,818	210,274	28,708	-109,971
Other financial corporations	-1,718	-499	-	1,718	-499
Non-financial corporations	-335,073	-150,725	200,297	123,263	-162,239
Households	-2,380	-1,121	49	2,331	-1,121
of which: collectively measured allowances	-639,283	-237,208	410,621	118,031	-347,839
of which: individually measured allowances	-	-	-	-	-
Allowances for debt instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**-11,429**	**-1,268**	**54**	**5,323**	**-7,320**
Loans and advances	-11,429	-1,268	54	5,323	-7,320
Non-financial corporations	-11,403	-1,268	54	5,298	-7,319
Households	-26	-	-	25	-1
of which: collectively measured allowances	-11,429	-1,268	54	5,323	-7,320
of which: individually measured allowances	-	-	-	-	-
of which: non-performing	-	-	-	-	-
Allowances for credit-impaired debt instruments (Stage 3)	**-71,649**	**0**	**0**	**45,177**	**-26,472**
Loans and advances	-71,649	-	-	45,177	-26,472
Non-financial corporations	-55,957	-	-	29,484	-26,472
Households	-15,692	-	-	15,692	-
of which: collectively measured allowances	-71,649	-	-	45,177	-26,472
of which: individually measured allowances	-	-	-	-	-
Total allowance for debt instruments	**-722,361**	**-238,476**	**410,675**	**168,531**	**-381,631**
Commitments and financial guarantees given (Stage 1)	1,146,817	148,258	-18,087	-278,599	998,390
Commitments and financial guarantees given (Stage 2)	-	-	-	2,807,750	2,807,750
of which: non-performing	-	-	-	-	-
Commitments and financial guarantees given (Stage 3)	-	-	-	-	-
Total provisions on commitments and financial guarantees given	**1,146,817**	**148,258**	**-18,087**	**2,529,151**	**3,806,139**

Credit risk control mitigation techniques:

This risk is mitigated by:

- the issuance of a stand-by letter of credit by the Parent Company for a significant part of the loans granted;
- the credit risk grading system established by the Central Bank of Brazil that supports the establishment of parameters for granting credit, managing risk and defining credit policies adequate to the client's specific characteristics and size;
- the continuously reviewing process for the customer risk ratings and for the individual borrower or economic group regulatory maximum exposure limit;
- the prior approval of the shareholder's credit committee and the ratification by local management for credit transactions;
- the use of a Loan-To-Value for granting and monitoring purpose of private bank loans.

Occasionally, the Bank requires collateral in the form of debt securities or fixed term deposits, which are blocked in the accounting system. As a general rule, Private Banking loans are fully collateralized. The collateral consists in securities, equities or term deposits that the client holds with the Bank. Securities given as collateral are valued on a regular basis in order to take into account price risk.

The table below details the total exposure that is covered by guarantees. The Bank does not have any exposure that is covered by credit derivatives:

	Maximum amount of the guarantee that can be considered IFRS 7.36 (b); Annex V.Part 2.119
Loan commitments received	**-**
Central banks	-
General governments	-
Credit institutions	-
Other financial corporations	-
Non-financial corporations	-
Households	-
Financial guarantees received	**1,558,738,165**
Central banks	-
General governments	-
Credit institutions	-
Other financial corporations	9,164,881
Non-financial corporations	1,544,416,709
Households	5,156,575
Other Commitments received	**-**
Central banks	-
General governments	-
Credit institutions	-
Other financial corporations	-
Non-financial corporations	-
Households	-

2.7. Market risk process, measurement and control

Market risk overview:

Market risk is the risk that fluctuations in the market will have a significant impact on underlying firm assets and operational functions.

Market risk is identified, measured, mitigated, controlled and reported and is mainly related to Interest rate risk in the banking book (IRRBB) and Foreign-exchange risk in the Bank.

The IRRBB exposure consists mainly of the risk of a mismatching between the interest rates applied to assets and the interest rates applied to liabilities.

The Bank's exposure to market risk profile is in line with the guidelines established by the governance process, with limits duly monitored independently. All transactions that expose the Bank to market risk are mapped, measured and classified according to probability and magnitude, and the whole process is approved by the governance structure.

The market risk management process relies on the participation of all levels of the Bank from the business areas to the Board of Directors.

Market risk management process:

The market risk management process is conducted in a corporate manner, comprising from business areas to the Board of Directors; it involves diverse areas, with specific duties in the process, thereby ensuring an efficient structure, and the measurement and control of market risk is conducted in a centralized and independent manner.

Market risk measurement:

Market risk in the form of IRRBB is measured and controlled by the Bank using stress-tests, EVE and EaR metrics on a monthly basis. Using several methodologies to measure and evaluate risks is of great importance, because they can complement each other and their combination allows the analysis of different scenarios and situations. These metrics are presented on a quarterly basis to the Asset-Liability Committee (ALCO).

As the Bank's balance sheet consists mainly of short term assets funded by short term liabilities which are matched with the assets, the main impact on the economic value of the balance sheet would be caused by a shock on the short term interest rates. A flattener shock on the interest rates would decrease the EVE by USD 1,871,738 while a parallel decrease of the interest rates would decrease the EaR by USD 10,582,990.

Market risk control:

The Bank mainly grants loans with variable rates which are primarily funded by deposits with fixed maturity. Only a marginal amount of the Banks liabilities are non-maturity deposits, which are assumed to reset on an overnight basis.

The Bank's control over its market risk is achieved by:

- ensuring a matching of the terms and reference interest rates between the loans and the funding of these loans;
- the Authorized Management involvement in every area of the Bank's activities;
- the Treasury Department policies and procedures.

The Bank does not carry out any trading activities and does not have a trading book. Therefore, the Bank does not allocate capital (Pillar I) for market risk exposure.

2.8. Operational risk process, measurement and control

Operational risk overview:

The Bank has defined the operational risk as the risk of loss resulting from inadequate or failed internal processes, operations, people, and systems or from external events. It is the potential for loss that arises from problems with operating processes, human error or omission, breaches in internal controls, fraud or unforeseen catastrophes.

The operational risk capital requirement has been considered by CSSF Circular 06/273 Part XV, as amended. The Bank applies the Basic Indicator Approach (BIA) for operational risk. The gross income indicator has been calculated based on accounting values for the last three years. The Bank has decided to adopt a prudent approach by using a 15% indicator for all of its exposure.

Operational risk management process:

The Authorized Management monitors the operational risk, based on a common set of established rules and procedures which are followed closely when dealing which each type of operational activity.

Operational risk measurement:

The capital requirement (Pillar I) for operational risk amounted at the end of December 2022 to USD 5,324,173.

Operational risk control:

These risks are mitigated by:

- the close involvement of the Authorized Management in the Bank's daily activities;
- the segregation of duties and the systematic application of the four-eyes principle;
- the existence of internal controls established by Authorized Management;
- the establishment of policies and procedures;
- the follow-up of incidents and corrective action plans;
- the establishment of a robust Business Contingency Plan (BCP).

2.9. Liquidity risk process, measurement and control

Liquidity risk overview:

Liquidity risk is defined as the current or prospective risk arising from an institution's inability to meet its liabilities/obligations as they come due without incurring unacceptable losses.

As part of the Bank's liquidity risk identification, three sub-types of risks related to liquidity risk have been identified:

- Asset liquidity risk;
- Funding liquidity risk;
- Joint asset/funding liquidity risk.

Asset liquidity risk is defined as the risk of loss arising from an inability to convert assets into cash at carrying value in order to meet obligations. This risk occurs when the Bank is unable to sell or transform its assets into cash without significant losses.

Funding liquidity risk is defined as the risk of loss stemming from an inability to access unsecured funding sources at an economically reasonable cost in order to meet obligations. This risk appears when the Bank cannot fulfil its payment obligations because of an inability to obtain new funding.

Joint asset/funding liquidity risk is defined as the risk of loss that occurs when funding cannot be accessed and assets cannot be converted into cash in order to meet obligations.

Liquidity risk management process:

The Bank has a robust liquidity risk management framework providing prospective, dynamic cash flow forecasts that include assumptions on the likely behavioral responses of key counterparties to changes in conditions and are carried out at a sufficiently granular level. The Bank is making realistic assumptions about its future liquidity needs for both the short- and long-term that reflect the complexities of its underlying businesses, products and markets. The Bank analyses the quality of assets that could be used as collateral, in order to assess their potential for providing secured funding in stressed conditions. In the meantime, the Bank attempts to manage the timing of incoming flows in relation to known outgoing sources in order to obtain an appropriate maturity distribution for its sources and uses of funds.

In estimating the cash flows arising from its liabilities, the Bank assesses the "stickiness" of its funding sources, using renewal assumptions, that is, their tendency not to run off quickly under stress. In particular, for large wholesale funds providers, both secured and unsecured, the Bank assesses the likelihood of roll-over of funding lines and the potential for fund providers to behave similarly under stress, and therefore consider the possibility that secured and unsecured funding might dry up in times of stress.

Renewal assumptions are defined for the following products:

- checking accounts (retail and corporate);
- time deposits (retail and corporate);
- time deposits, vostro, Parent Company funding (financial institutions).

Therefore, asset-liability gap management is important for an effective management of liquidity risk. A Bank might have stable funding and/or asset liquidity sources, but it must still manage the gap between the two if it intends to create a robust liquidity plan. In order to achieve this goal, the Bank has developed an internal monitoring tool, which allows an overview on expected outflows and inflows over different time buckets. This provides to the Bank prospective, dynamic cash flow forecasts that include assumptions on the likely behavioural responses. The Bank can therefore identify future liquidity gaps and plan necessary actions to raise additional liquidity if needed over a period of 3 years.

The monitoring tool assesses the liquidity needs under normal conditions (regular process) based on the known inflows and outflows which results in the liquidity gap. For the positions without contractual maturity, renewal assumptions are being used which allows the Bank to calculate renewals of inflows and outflows resulting in projected liquidity gaps.

These projections are split by maturity, according to the following maturity ladder:

- below 1 year: monthly buckets from 1 month to 12 month;
- above 1 year: annually buckets (2 years and long term).

This cash-flow projection, issued on a monthly basis, is discussed during the ALCO and can be used in the context of the structural liquidity discussion, with the Parent Company.

Liquidity risk measurement:

High Quality Liquid Assets (HQLA):

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

Liquidity Coverage Ratio (LCR):

The Liquidity Coverage Ratio (LCR) is designed to ensure that the Bank maintains a sufficient level of liquid assets to cover liquidity needs in an eventual stress scenario. The LCR is the ratio between the stock of High Quality Liquid Assets (HQLA) and the total net cash outflow (cash outflows – cash inflows), calculated based on a generic stress scenario, cash inflows being limited to 75% of the cash outflows.

In accordance with the LCR implementation schedule, the level of the ratio between high quality liquid assets and total net cash outflows must comply with the 100 % regulatory limit.

As per the circular CSSF 18/676 implementing the EBA guidelines (EBA/GL/2017/01) on LCR to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013, the Bank discloses the following figures (in USD) and information as per the proposed table:

Quarter ending on:	31/03/2022	30/06/2022	30/09/2022	31/12/2022
Liquidity buffer	147,336,860	165,922,268	141,304,450	130,873,760
Total Net Cash Outflows	79,611,641	78,870,801	73,476,950	56,632,914
NSFR (%)	185.07%	210.37%	192.31%	231.09%

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

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

  the potential need to repurchase debt or honor non-contractual obligations in order to mitigate reputational risk.

Net Stable Funding Ratio (NSFR):

The Net Stable Funding Ratio is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The regulatory limit is 100%.

Quarter ending on:	31/03/2022	30/06/2022	30/09/2022	31/12/2022
ASF	1,745,354,119	1,450,188,983	1,417,452,159	1,307,564,406
RSF	1,236,143,755	1,148,955,041	1,093,309,880	1,098,707,465
NSFR (%)	141.19%	126.22%	129.65%	119.01%

Cash Outflows and Inflows:

Cash outflows are the result of a reduction in deposits and funding; the maturity of securities issued; scheduled contractual obligations for the next 30 days; margin adjustments and calls in derivative operations; the utilization/withdrawal of credit and liquidity lines granted by the Bank; and contingent cash outflows.

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

Liquidity risk management objectives and policies:

Strategies and processes in the management of the liquidity risk:

The Bank's objective is to retain sufficient liquidity at all times and in all circumstances to withstand a sustained stress environment without any change to its business. Funding needs are assessed on a daily basis taking into consideration the existing and forecasted on and off-balance sheet transactions. The Bank has implemented and continuously enhances the Bank's liquidity risk management framework in order to ensure and maintain a sufficient liquidity buffer. The inherent structure of the balance sheet reduces also the liquidity risk. The major part of "loans and advances" have a short duration and use to be balanced with a funding with a similar tenor.

Structure and organisation of the liquidity risk management function (authority, statutes, other arrangements):

The Bank set up an internal governance rule to closely monitor the LCR on a daily basis and the NSFR on a monthly basis. Every morning, the Accounting Department computes the daily LCR and the forecast for the coming three days. Based on internal limits and KRIs, the Bank takes the necessary measures to restore an appropriate liquidity position if needed. Together with Treasury and under the supervision of the Chief Risk Officer and the Authorized Management, it can be decided to roll some deposits or to increase some placement in order to be compliant with the internal limit.

Scope and nature of liquidity risk reporting and measurement systems:

The LCR monitoring is performed on a daily basis and is calculated for the following three days. Results and forecasts are then sent to the Accounting Department, the Loans Department, the Treasury Department, the Chief Risk Officer, the Authorized Management and the Parent Company. Internal limit has been set up at 110% with an early warning limit at 130%. In addition, on a daily basis, the Treasury Department prepares a report with the overview of the cash situation of the Bank, and submits it to the Authorized Management to monitor the positions.

The NSFR monitoring is performed on a monthly basis. The results are communicated to the Treasury Department, the Chief Risk Officer, the Authorized Management and the Parent Company. Internal limit has been set up at 105% with an early warning limit at 115%.

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants:

The Bank ensures an appropriate match between maturities on the asset and the liability side. Loans and advances are balanced with deposits (mainly deposits from credit institutions) on the same maturity. In addition, the Bank can have access to a large buffer of liquidity from the Group which is largely sufficient to cover unexpected outflows under stress conditions. Due to the size of the Group, any liquidity gap at the level of Banco Bradesco Europa S.A. would represent a marginal part of the total liquidity buffer of the Group.

A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy:

The Board of Directors of the Bank ensures that the liquidity risk management arrangements are adequate with regards to the Bank's strategy and profile.

A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy:

During the course of 2022, the Bank's LCR always remained above the internal limit set up at 110% and as a consequence above the regulatory limit of 100%. The monitoring of the regulatory liquidity ratio is completed by an operational monitoring performed by the Treasury Department on a daily basis with the overview of the cash situation and its forecast for 30 days, providing a comprehensive view to the Bank. The Board of Directors confirms that the regulatory limit, detailed above, never breached during the course of 2022.

Regarding the NSFR, the Bank did not breached the internal and regulatory limits in 2022. Those elements confirm that the Bank, sticking to its strategy, continuously manages to retain sufficient liquidity and always meets its financial obligations.

2.10. Leverage ratio

The leverage ratio (LR) has been introduced by the Basel Committee and implemented in the European regulatory framework to serve as a simple, transparent and non-risk-based ratio to complete the existing risk-based capital requirements.

The leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), expressed as a percentage.

While the capital measure for the leverage ratio is the Tier 1 capital taking account transitional arrangements, the total exposure measure corresponds to the sum of the following exposures: on-balance sheet exposures; derivative exposures; securities financing transaction (SFT) exposures; and off-balance sheet items. As the Bank has not entered into any derivative exposures or securities financing transactions as of 31 December 2022 only on-, and off-balance sheet expsoures are considered.

The management of the risk of excessive leverage figures in the scope of duties of the Bank's ALCO in which it can be discussed and handled.

As of 31 December 2022, the Banks' leverage ratio amounted to 18.09% as detailed in the tables below. The regulatory limit is 3%.

Leverage ratio exposure by exposure class	Leverage Ratio Exposure SA Exposures	Risk weighted assets SA Exposures
Covered bonds	**-**	**-**
Exposures treated as sovereigns	**149,216,141**	**-**
Central governments and central banks	149,216,141	-
Regional governments and local authorities treated as sovereigns	-	-
MDBs and International organisations treated as sovereigns	-	-
PSEs treated as sovereigns	-	-
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**-**	**-**
Regional governments and local authorities NOT treated as sovereigns	-	-
MDBs NOT treated as sovereigns	-	-
PSEs NOT treated as sovereigns	-	-
Institutions	**262,231,274**	**1,704,121,697**
Secured by mortgages of immovable properties; of which	**-**	**-**
Secured by mortgages of residential properties	-	-
Retail exposures; of which	**5,352,393**	**870,753**
Retail SME		-
Corporate; of which	**1,817,124,219**	**258,308,870**
Financial	0	0
Non-financial	1,817,124,219	258,308,870
SME exposures	-	-
Exposures other than SME	1,817,124,219	258,308,870
Exposures in default	**-**	**-**
Other exposures; of which:	**11,621,025**	**11,621,025**
Securitisation exposures	-	-
Trade finance (Memo item); of which	-	-
Under official export credit insurance scheme	-	-

Leverage Ratio Calculation	Leverage Ratio Exposure
SFTs: Exposure value	-
SFTs: Add-on for counterparty credit risk	-
Derogation for SFTs: Add-on in accordance with Article 429e(5) and 222 CRR	-
Counterparty credit risk of SFT agent transactions	-
(-) Exempted CCP leg of client-cleared SFT exposures	-
Derivatives: replacement cost under the SA-CCR (without the effect of collateral on NICA)	-
(-) Effect of the recognition of collateral on NICA on QCCP client-cleared transactions (SA-CCR - replacement cost)	-
(-) Effect of the eligible cash variation margin received offset against derivatives market value (SA-CCR - replacement cost)	-
(-) Effect of the exempted CCP leg of client-cleared trade exposures (SA-CCR -replacement cost)	-
Derivatives: Potential future exposure contribution under SA-CCR (multiplier at 1)	-
(-) Effect lower multiplier for QCCP client-cleared transactions on the PFE contribution (SA-CCR - Potential future exposure)	-
(-)Effect of the exempted CCP leg of client-cleared trade exposures (SA-CCR approach-potential future exposure)	-
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
(-) Effect of exempted CCP leg of client-cleared trade exposures (simplified standardised approach - replacement costs)	-
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach (multiplier at 1)	-
(-)Effect of exempted CCP leg of client-cleared trade exposures (simplified standardised approach - potential future exposure)	-
Derogation for derivatives: original exposure method	949,484
(-) Exempted CCP leg of client-cleared trade exposures (original exposure method)	-
Capped notional amount of written credit derivatives	-
(-) Eligible purchased credit derivatives offset against written credit derivatives	-
Off-balance sheet items with a 10% CCF in accordance with Article 429 (10) of the CRR	-
Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR	-
Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR	142,295,949
Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR	622,534,341
(-) General credit risk adjustments to off balance sheet items	-
Regular-way purchases and sales awaiting settlement: Accounting value under trade date accounting	-
Regular-way sales awaiting settlement: Reverse out of accounting offsetting under trade date accounting	-
(-) Regular-way sales awaiting settlement: offset in accordance with 429g(2) CRR	-
Regular-way purchases awaiting settlement: Full recognition of commitments to pay under settlement date accounting	-
(-) Regular-way purchases or sales awaiting settlement: offset for assets under settlement date accounting in accordance with 429g(3) CRR	-
Other assets	2,245,545,052
(-) General credit risk adjustments to on balance sheet items	-
Cash pooling arrangements that cannot be netted prudentially: value in the accounting framework	-
Cash pooling arrangements that cannot be netted prudentially: effect of grossing-up the netting applied in the accounting framework	-
Cash pooling arrangements that can be netted prudentially: value in the accounting framework	-
Cash pooling arrangements that can be netted prudentially: effect of grossing-up the netting applied in the accounting framework	-
(-) Cash pooling arrangements that can be netted prudentially: Recognition of netting in accordance with Article 429b(2) CRR	-
(-) Cash pooling arrangements that can be netted prudentially: Recognition of netting in accordance with Article 429b(3) CRR	-
Grossed-up assets for derivatives collateral provided	-
(-) Receivables for cash variation margin provided in derivatives transactions	-
(-) Exempted CCP leg of client-cleared trade exposures (initial margin)	-
Adjustments for SFT sales accounting transactions	-
(-) Reduction of the exposure value of pre-financing or intermediate loans	-
(-) Fiduciary assets	-
(-) Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of the CRR	-
(-) IPS exposures exempted in accordance with point (c) of Article 429a(1) CRR	-
(-) Excluded guaranteed parts of exposures arising from export credits	-
(-) Excluded excess collateral deposited at triparty agents	-
(-) Excluded securitised exposures representing significant risk transfer	-
(-) Exposures to the central bank exempted in accordance with point (n) of Article 429a(1) CRR	-
(-) Excluded banking-type ancillary services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR	-
(-) Excluded banking-type ancillary services of designated institutions in accordance with point (p) of Article 429a(1) CRR	-
(-) Exposures exempted in accordance with Article 429 (14) of the CRR	-
(-) Excluded exposures of public development credit institutions - Public sector investments	-

(-) Excluded exposures of public development credit institutions - Promotional loans granted by a public development credit institution	-
(-) Excluded exposures of public development credit institutions - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State	-
(-) Excluded exposures of public development credit institutions - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution	-
(-) Excluded passing-through promotional loan exposures by non-public development credit institutions (or units) - Promotional loans granted by a public development credit institution	-
(-) Excluded passing-through promotional loan exposures by non-public development credit institutions (or units) - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State	-
(-) Excluded passing-through promotional loan exposures by non-public development credit institutions (or units) - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution	-
(-) Asset amount deducted - Tier 1 - fully phased-in definition	-1,314,236
(-) Asset amount deducted - Tier 1 - transitional definition	-1,314,236
Total Leverage Ratio exposure - using a fully phased-in definition of Tier 1 capital	3,010,010,590
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	3,010,010,590
Capital	
Tier 1 capital - fully phased-in definition	544,519,903
Tier 1 capital - transitional definition	544,519,903
Leverage Ratio	
Leverage Ratio - using a fully phased-in definition of Tier 1 capital	18.09%
Leverage Ratio - using a transitional definition of Tier 1 capital	18.09%
Requirements: ratios	
Pillar 1 Leverage Ratio requirement	3.00%
Total SREP leverage ratio requirement (TSLRR)	3.00%
TSLRR: to be made up of CET1 capital	-
Overall leverage ratio requirement (OLRR)	3.00%
Overall leverage ratio requirement (OLRR) and Pillar 2 Guidance (P2G) ratio	3.00%
OLRR and P2G: to be made up of CET1 capital	-
OLRR and P2G: to be made up of Tier 1 capital	3.00%

2.11. Business Continuity Management

Overview:

Business continuity is defined as the ability of an organization to keep on delivering goods or services according to previously defined and acceptable levels after interruption incidents.

The procedures which must ensure an acceptable operational level for critical business processes and which have to be applied after an interruption, are provided in a Business Continuity Plan (BCP) whose purpose is to resume the activities and reduce potential impacts for our customers.

The organizational structure and the governance established regarding Business continuity includes policies and corporate rules that define the roles and responsibilities ensuring the update and the efficiency of the plans and strategies in use through the application of tests on a regular basis. This process also takes into account the critical processes carried out by service providers who are considered as material third parties.

These policies and internal rules are in line with Brazilian and European regulations and the recommendations of the Basel Committee on Banking Supervision (BCBS). Business Continuity Management is under the responsibility of the Authorized Management in Luxembourg and of the Integrated Risk Control Department (DCIR) in Brazil which is in charge of the Business Continuity Management (BCM) area.

Business Continuity Management process:

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

- review critical business processes based on the Business Impact Assessment (BIA);
- assess Business Continuity strategies;
- keep all plans duly reviewed and updated in a corporate tool;
- qualify the persons involved in the activities;
- test all plans and strategies according to the annual planning;
- analyze the outcomes and make the required adjustments and improvements;
- identify, assess and handle all continuity procedures that involve third parties and that are deemed material for the unit's activities.

Control and monitoring:

All stages of the management process are monitored, controlled, and evidenced, with the evidences being available to the regulatory bodies, and internal and external auditors.

The internal control functions periodically realise the assessment of controls concerning Business Continuity Management, such as:

- compliance report: shows the principal outcomes, positive points and points of attention;
- corporate self-assessment: applied on a yearly-basis for a sample of employees, its purpose is to identify the level of knowledge, understanding and applicability of certain topics, including Business continuity;
- administrative self-assessment: Its purpose is to measure the level of compliance of the premises to the corporate rules, providing support to the review of procedures and implementation of corrective actions with focus on the improvement of controls.

2.12. Renumeration policy

The Remuneration Policy has been approved by the Board of Directors on the 2nd December 2022 and established in line with the law of 23rd July 2015transposing the 2013/36/EU (EBA/GL/2021/04) into national law as well as takes into account the CSSF circular 22/797, dated June 31st of January, repealing CSSF circular 11/505 and CSSF Circular 17/658 and adopting the final Guidelines published by the European Banking Authority (hereafter "EBA") on 2 July, 2021, hence EBA/GL/2021/04.

In addition to the above-mentioned legal scope, the remuneration policy takes into account the following additional legal requirements:

- Article 38-6 (2) of the Law of 5 April 1993 and law of the May 20th 2021, transposing the Directive 2019/878/EU (CRD V) in Luxembourg Law on the application of the proportionality principle;
- CSSF circular 15/622 on the procedure of notification to a higher 1:1 ratio as defined under article 19, 7°, point g) of the law of July 23rd, 2015;
- CSSF circular 14/585, with regards to ensuring that remuneration policies and practices are aligned with conflict of interest and conduct of business obligations;
- Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

- Article 38-5 (2) b) LSF and Articles 5 and 6 of the (EU) 2021/923 and the article 92(3) of the CRD V with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile;
- Article 450, (EU) No 575/2013, with regards to disclosure requirements.
- Article 5 of Regulation (EU) 2019/2088 of 27 November 2019 on Sustainability-]related disclosures in the financial services sector ("SFDR");
- CSSF Circular 22/797, with regards to the application of the Guidelines of the European Banking Authority on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04).

Purpose:

The purpose of the Remuneration Policy is to set up the remuneration regime compatible with the business strategy, goals, values, long-term interests and with a sound and efficient risk management, which encourages such management and will not lead to an excessive risk taking by the members of the Bank.

Going further, the Policy ensures that practices and procedures are aligned with conflict of interest and conduct of business obligations, taking into consideration its client's best interests. Furthermore, the Remuneration policy is gender neutral and provides equal opportunities.

In 2022, the Board of Directors was responsible for reviewing general principles of the Remuneration policy, was in charge of the implementation and accuracy of this Policy. The Board of Directors is composed of 7 Non-Executive members, not remunerated by BBE.

The Board of Directors ensures a transparent and non-conflicted governance around remuneration and to establish a set of principles and parameters for the Bank, and to oversee its Remuneration Policy. The Authorized Management, together with the Head of HR, and with the involvement of the internal control functions, is responsible for the compliance of the Remuneration policy with laws and regulatory framework.

The Chief Risk Officer is closely involved as to ensure that the proposed envelope does not limit the Bank's ability to strengthen and maintain its capital base. The Remuneration policy is in line with the conservative business strategy, the long-term interests, the underlying values of wealth preservation and sustainable growth.

Periodically external provider is requested to double check and to collect our updates and adaptations.

Performance assessment:

Banco Bradesco Europa S.A. aims to attract, retain and motivate high-qualified professionals and offers remuneration package that are attractive and competitive. The performance criteria include mainly individual qualitative criteria (non-financial - as compliance with the internal rules and procedures and personal behaviour) and collective quantitative components (financial); the individual bonus is based on annual assessment of performances. All members of staff are assessed once a year. The remuneration principles of the Remuneration Policy ensure a balance between fixed and variable remuneration to decrease any risk from excessive risk taking.

The ratios between fixed and variable remuneration:

The Bank ensures a balanced ratio between fixed and variable remuneration as to prevent any excessive risk takings with the aim of increasing the variable component.

As of 31 December 2022, the variable remuneration is less than 15% of the fixed remuneration.

Aggregate quantitative information on fixed remuneration, broken down by business area:

As of 31 December 2022:

	Private Banking	Corporate Banking	Asset Management	Other Functions
N° of employees	19	2	0	32
Total Remuneration (EUR)	2,281,356.94	550,122.65	0	3,211,164.54

Aggregate quantitative information on the Authorized Management remuneration:

There are 2 beneficiaries; 2 fixed remunerations and 2 variable remunerations on 31 December 2022.

	Fixed remuneration	Variable remuneration
Authorised Management Functions (EUR)	931,950.91	382,176.88

Aggregate quantitative information on the Identified staff (material risk taker) remuneration:

Staff members having a material impact on the Bank's risk profile have been identified under qualitative and quantitative criteria set out under article 38-5 (2) b) LSF and Articles 5 and 6 of the (EU) 2021/923 and the article 92(3) of the CRD V. Material risk takers have been identified at the level of the Bank.

As such, the following categories of staff have been considered as having a material impact on the Banco Bradesco Europa S.A.'s risk profile and therefore are included in the identified staff. The list of identified staff is fixed at 16 as of 31 December 2022. The variable remuneration is less than 20% of the fixed remuneration.

	Fixed remuneration	Variable remuneration
Luxembourg (EUR)	1,981,635.08	443,943.09

Annex 1: Declaration of the Management Body

In accordance with article 435 of the CRR, the Bank's Management Body confirms that it respects the regulation among others in its aspects related to risk management and that they are adequate with regard to the Bank's profile and strategy, these arrangements being already implemented or making part of an action plan with the aim to reach this objective.

This declaration is based on the reliability of the risk-related information communicated to the Management Body through the dedicated channels foreseen by the governance, in particular but not limited to the Board of Directors, where the risk exposures are compared to the Board's risk appetite, and where significant risk events and issues are reported and discussed.