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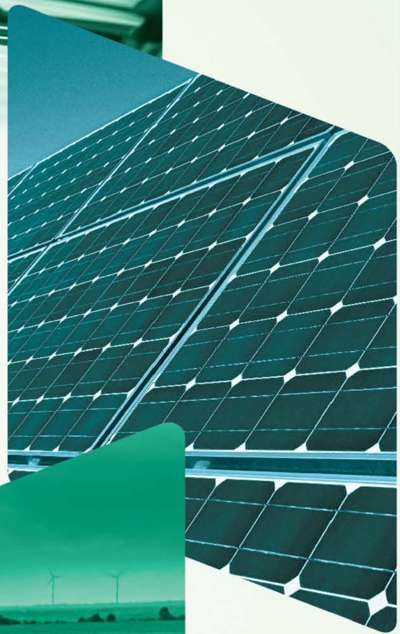
CONSOLIDATED FINANCIAL STATEMENTS IN IFRS

December 31, 2023



BRDE
BANCO REGIONAL DE DESENVOLVIMENTO DO EXTREMO SUL

In thousands of Brazilian Reais

ASSETS	Note	2023	2022
Cash and cash equivalents	**4**	**1,021,547**	**1,074,437**
Financial assets		**19,563,899**	**17,449,629**
At amortized cost	5	17,779,464	15,612,876
Securities		287,272	364,724
Loans and other credit operations	6	17,733,229	15,464,679
Other financial assets		188,425	202,895
(-) Provision for expected loss	5	(429,462)	(419,422)
At fair value through profit or loss	7	1,782,680	1,833,782
At fair value through other comprehensive income	7	1,755	2,971
Tax assets		**465,840**	**459,451**
Current		69,665	78,954
Deferred	14.2	396,175	380,497
Other assets	**8**	**136,564**	**150,037**
Fixed assets, net	**9**	**51,214**	**51,391**
Intangible assets, net	**9**	**9,505**	**14,418**
TOTAL ASSETS		**21,248,569**	**19,199,363**

LIABILITIES	Note	2023	2022
Financial liabilities		**16,063,372**	**14,523,160**
At amortized cost	10	16,058,887	14,516,666
Time deposits		78,314	11,832
Borrowings and onlendings		15,482,370	13,884,757
Other financial liabilities		498,203	620,077
At fair value through profit or loss		4,485	6,494
Provisions	**12**	**131,481**	**126,608**
Tax liabilities		**300,478**	**366,702**
Current		231,628	317,933
Deferred	14.2	68,850	48,769
Other liabilities	**15**	**594,243**	**341,962**
TOTAL LIABILITIES		**17,089,574**	**15,358,432**

EQUITY	Note	2023	2022
Capital	16	2,225,541	1,971,507
Profit reserves		1,991,971	1,993,675
Other comprehensive income		(58,517)	(124,251)
TOTAL EQUITY		**4,158,995**	**3,840,931**
TOTAL LIABILITIES AND EQUITY		**21,248,569**	**19,199,363**

The accompanying notes are an integral part of these consolidated Financial Statements.

In thousands of Brazilian Reais

	Note	2023	2022
Net interest and similar income	**17**	**1,168,863**	**1,087,634**
Interest and similar income		2,151,301	1,860,887
Interest and similar expenses		(982,438)	(773,253)
Net expected gains/(losses) on financial assets		**38,391**	**(11,956)**
Expected loss on loans and other credit operations		37,572	(13,144)
Expected loss on securities		819	1,188
Net fee and commission income	**18**	**25,415**	**13,250**
Fee and commission income		50,115	44,907
Fee and commission expenses		(24,700)	(31,657)
Gross operating income		**1,232,669**	**1,088,928**
Other income/(expenses)		**(432,784)**	**(347,317)**
Personnel expenses	19	(249,081)	(224,347)
Other administrative expenses	20	(74,798)	(56,931)
Tax expenses	21	(60,584)	(56,672)
Other operating income/(expenses)	22	(29,372)	2,047
Depreciation and amortization		(9,866)	(9,619)
Provision expenses		(9,330)	(1,461)
Profit from the sale of non-financial assets		1,315	891
Gains/(losses) on non-financial assets		(1,068)	(1,225)
Income before income tax and social contribution		**799,885**	**741,611**
Income tax and social contribution	**14.1**	**(268,738)**	**(316,519)**
NET INCOME		**531,147**	**425,092**
Basic and diluted earnings per share (lot of 1000 shares)		0.24	0.23

The accompanying notes are an integral part of these consolidated Financial Statements.

In thousands of Brazilian Reais

	2023	2022
Net income	**531,147**	**425,092**
Items that may be reclassified to the consolidated statement of income		
Financial assets at fair value through other comprehensive income	**1,099**	**(1,160)**
Change in fair value	1,303	(2,109)
Tax effect	(204)	949
Items that cannot be reclassified to the consolidated statement of income		
Post-employment benefits	**64,635**	**(23,267)**
Remeasurement of post-employment benefit liabilities	35,342	(14,825)
Tax effect	29,293	(8,442)
Total other comprehensive income	**65,734**	**(24,427)**
TOTAL COMPREHENSIVE INCOME	**596,881**	**400,665**

The accompanying notes are an integral part of these consolidated Financial Statements.

Statement of Changes in Equity

IFRS Consolidated Financial Statements

For the years ended on December 31, 2023 and 2022

In thousands of Brazilian Reais

	Capital	Profit reserves Regimental Fund	Other comprehensive income	Retained earnings	Total
Balances on January 1, 2022	**1,734,924**	**1,770,620**	**(99,824)**	**34,545**	**3,440,265**
Valuation adjustments	-	1	(24,427)	-	(24,426)
Capital increase	236,583	(236,583)	-	-	-
Net income	-	-	-	425,092	425,092
Reserve constitution		459,637	-	(459,637)	-
Balances on December 31, 2022	**1,971,507**	**1,993,675**	**(124,251)**	**-**	**3,840,931**
Valuation adjustments	-	-	65,734	-	65,734
Capital increase	254,034	(254,034)	-	-	-
Interest on equity	-	(278,817)	-	-	(278,817)
Net income	-	-	-	531,147	531,147
Reserve constitution	-	531,147	-	(531,147)	-
Balances on December 31, 2023	**2,225,541**	**1,991,971**	**(58,517)**	**-**	**4,158,995**

The accompanying notes are an integral part of these consolidated Financial Statements.

In thousands of Brazilian Reais

	2023	2022
Cash flow from operating activities		
Adjusted income before income tax and social contribution	**771,296**	**778,977**
Income before income tax and social contribution	799,885	741,611
Adjustments to net income:		
Depreciation and amortization	9,866	9,619
Adjustment to market value – assets and liabilities	(10,573)	(7,150)
Impairment losses on financial assets	(38,391)	11,956
Impairment losses on non-financial assets	1,179	1,461
Other provisions	9,330	21,480
Decrease / (increase) in operating assets	**(2,149,883)**	**(1,611,534)**
Financial assets at amortized cost	(2,205,649)	(1,296,274)
Financial assets at fair value through profit or loss	62,448	(335,076)
Other assets	(6,682)	19,816
Increase / (decrease) in operating liabilites	**1,253,020**	**1,163,533**
Financial liabilities	1,539,439	1,446,122
Provisions	(4,457)	(6,131)
Current tax liabilities	(309,040)	(249,642)
Other liabilities	27,078	(26,816)
Net cash generated from/(used in) operating activities	**(125,567)**	**330,976**
Cash flow from investing activities		
Investment on fixed assets	(3,427)	(3,126)
Investment on intangible assets	(1,836)	(2,371)
Sale of property and equipment in use	488	7
(Increase)/decrease in financial assets at amortized cost	77,452	(18,678)
Net cash generated from/(used in) investing activities	**72,677**	**(24,168)**
Increase / (decrease) in cash and cash equivalents	**(52,890)**	**306,808**
Changes in the financial position		
Cash and cash equivalents at the beginning of the period	1,074,437	767,628
Cash and cash equivalents at the end of the period	1,021,547	1,074,436
Increase / (decrease) in cash and cash equivalents	**(52,890)**	**306,808**

The accompanying notes are an integral part of these consolidated Financial Statements.

1. OPERATING CONTEXT

Banco Regional de Desenvolvimento do Extremo Sul ("BRDE") is a privately held public financial institution established under the form of an agreement signed between its controlling States: Rio Grande do Sul, Santa Catarina and Paraná.

As a financial institution that drives regional development, BRDE aims to promote and lead actions to stimulate economic and social development, through planning and long-term technical and credit support, with the main activities:

I. Loans and financing;
II. Guarantee granting;
III. Investments;
IV. Services;
V. Agreements of any nature;
VI. Other modalities compatible with the nature of the institution and authorized by the Central Bank of Brazil.

As it has legal personality under private law, BRDE is subject to the rules applicable to private companies regarding labor, tax, civil and commercial obligations defined in the legal system, and as a financial institution BRDE is subject to the rules defined by the National Monetary Council – CMN and by the Central Bank of Brazil – BACEN.

BRDE is headquartered at Rua Uruguai, 155, Centro, Porto Alegre – RS, and has 1 operational agency in each capital of the controlling States: Porto Alegre, Florianópolis and Curitiba

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Approval and functional currency of Financial Statements

The Financial Statements are presented in Real (R$), which is the functional currency. Amounts are expressed in thousands of Reais, unless otherwise indicated.

These Financial Statements, after consideration by the Fiscal Council, Audit Committee and the Executive Board, were approved by the Board of Directors at a meeting held on March 20, 2024.

2.2 Declaration of conformity

BRDE's consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards – IFRS issued by the International Acoounting Standards Board – IASB, translated to Portuguese by the Institute of Independent Auditors (*Instituto dos Auditores Independentes* – IBRACON), which were effective on December 31, 2023.

2.3 Consolidation basis

The consolidated Financial Statements include BRDE's operations and investment fund quotas in which the bank substantially assumes or retains risks and benefits. The balances of the balance sheet and income accounts and the values of transactions between consolidated companies are eliminated. The consolidated Financial Statements include the following institutions:

- Banco Regional de Desenvolvimento do Extremo Sul – BRDE
- BB Polo 27 Fundo de Investimento de Renda Fixa

2.4 Adoption of new accounting standards or amendments and interpretations of existing standards

2.4.1 Applicable for the period ended December 31, 2023

Although the list of new accounting standards is provided below, none of them is applicable and/or has impact on these Financial Statements.

The following amendments to standards came into effect in January 1, 2023:

- Amendments to IAS 1 – Presentation of Accounting Policies. Entities must disclose their material accounting policies rather than their significant accounting policies. It also includes guidance on how to apply the concept of materiality to accounting policy disclosures;
- Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Entities must distinguish the differences between changes in accounting policies and changes in accounting estimates; and
- Amendments to IAS 12 – Income Taxes. Determines that entities recognize deferred tax on certain transactions (for example, leases) that give rise to equal amounts of taxable and deductible temporary differences upon initial recognition.

2.4.2 Applicable for future periods

The following regulations and expected to come into force on January 1, 2024:

- Amendments to IAS 1 – Presentation of Accounting Policies. The changes improved the information disclosed about long-term debts with covenants, so that users of the Financial Statements understand the risk of a certain debt being paid off early. The changes also aim to address concerns raised by users of the Financial Statements, due to the application of changes to the classification of liabilities as current and non-current, introduced in 2020 and not yet effective.
- Amendments to IFRS 16 – Leases. The changes predict the addition of requirements on how an entity accounts for a sale of an asset and leases that same asset back (leaseback), after the initial date of the transaction; and
- Amendments to IAS 7 and IFRS 17 - Statements of Financial Instruments and Cash Flows: Disclosure. The changes refer to the disclosure of information on financial agreements with

suppliers that will allow users of the Financial Statements to evaluate their effects on the entity's liabilities and cash flows, in addition to their exposure to the liquidity risk.

Possible impacts are being evaluated by BRDE and will be concluded by the date the standards come into effect.

Those effective starting January 1, 2024 are still being evaluated by the administration.

2.5 Continuity

The Financial Statements were prepared based on the assumption of operational continuity, based on Management's assessment that BRDE has the capacity to continue operating normally and that it has the resources to continue business in the future. Management is not aware of any material uncertainty that could raise significant doubts about BRDE's ability to continue operating.

3. MATERIAL ACCOUNTING POLICIES

3.1 Income recognition

Income is recognized using the accrual method, which establishes that revenues and expenses must be included in the results for the periods in which they occur, always simultaneously when they correlate, regardless of receipt or payment. Income and expenses of a financial nature are accounted for on a daily pro rata basis and calculated based on the exponential method. Transactions indexed to foreign currencies are updated up to the balance sheet date.

3.2 Cash and cash equivalents

Cash and cash equivalentes are represented by available cash (domestic and foreign bank deposits) and securities with original maturity equal or below 90 days and that present insignificant risk of fair value change.

3.3 Financial instruments

3.3.1 Financial assets

BRDE recognized a financial asset on the trading date, that is, when in becomes the active part of the contractual arrengements of the financial instrument. Financial assets are initially recognized at fair value and subsequently measured according to the business model.

a) Financial assets classification and measurement

For the classification of financial assets, the bank evaluates and identifies the business model to which the asset is related, and evaluates the characteristics of the asset's contractual cash flows (SPPI test).

The business model is defined by the level that reflects the way in which groups of financial assets are managed to achieve a certain business purpose. Therefore, an institution's business model does not depend on the intention related to an individual instrument, but rather on the way in which financial assets are managed to achieve their purpose. After this assessment, the assets are classified into:

a) business model to obtain contractual cash flows;

b) business model to obtain contractual cash flows and sale; and

c) other business models.

When the financial asset is identified as related to the business models of obtaining contractual cash flows (item a above) or to obtain contractual cash flows and sale (item b above), the Bank carries out the SPPI test, in order to verify whether the asset has contractual characteristics that represent an agreement to pay principal and interest.

b) Measurement of financial assets

Based on the evaluation of the business model and the SPPI test, financial assets are classified into the following categories:

➢ At amortized cost: Financial assets managed in the business model to obtain contractual cash flows and that present contractual characteristics that represent principal and interest are classified in this category. This category includes, for example, the credit portfolio and some financial investments in debt instruments.

➢ At fair value through profit or loss: Financial assets maintained in the business model to obtain contractual cash flows and sales, and that present contractual characteristics that represent principal and interest, in addition to the equity instruments designated in this category upon initial recognition, are classified in this category.

➢ At fair value through other comprehensive income: Financial assets related to other business models not related to the previous categories are classified in this category; financial assets initially designated in this category as a way of reducing “accounting mismatches” and other financial assets that do not present contractual characteristics of payment of principal and interest.

c) Write-off of financial assets

Financial assets cease to be recognized when the rights to receive cash flows expire or when BRDE transfers the risks and benefits of ownership and such transfer qualifies for derecognition in accordance with the requirements of IFRS 9.

3.3.2 Financial liabilities

BRDE recognizes a financial liability when it becomes a passive party to the contractual provisions of the financial instrument.

a) Financial liabilities classification and measurement

Financial liabilities are classified, for measurement purposes, into one of the following categories:

➢ At fair value through profit or loss: this category includes financial liabilities arising from transactions with derivative instruments.

- At amortized cost: non-derivative financial liabilities with fixed or determinable payments, which are not quoted on an active market. Loans and transfers taken out by the Bank are classified in this category.

b) Write-off of financial liabilities

Financial liabilities are no longer recognized when their obligations are settled, extinguished or cancelled.

3.3.3 Derivative financial instruments

BRDE uses derivative financial instruments for protection purposes, aiming to adapt its composition of financial assets and liabilities and seeking efficiency in financial management. Derivatives are not used to take positions of a speculative nature, which intentionally generate uncovered positions linked to directional bets.

The protection strategy consists of compensating, in whole or in part, the risks arising from exposure to variations in the fair or market value or cash flow of any financial asset or liability.

Financial instruments designated for hedge accounting purposes can be classified according to their nature into the following categories:

- Fair value hedge: derivative financial instruments intended to compensate risks arising from exposure to changes in the market value of the hedged item, with the values of gains and losses, realized or not, recorded in profit and loss account;
- Cash flow hedge: derivative financial instruments intended to offset variations in the institution's estimated cash flow, with the values of gains and losses, related to the effective portion, being recognized, net of tax effects, in other comprehensive income in the account specific to net worth.

The ineffective portion of the hedge is immediately recognized in income for the year.

Detailed information on the operations involved, their strategies, the objectives of risk management, including their effectiveness, are documented from the beginning of the operations in order to highlight the main elements involved:

- Purpose of the hedge;
- Documental identification of the hedge object and the management of the risk;
- Hedge classification and strategy;
- Internal accounting procedures;
- Identification of hedge object and hedge instrument;
- Testing and demonstrating effectiveness.

3.3.4 Impairment of financial assets

BRDE records a provision for expected losses for its credit operations and active financial instruments measured at amortized cost.

The provision for expected losses is based on the expectation of credit losses arising over the useful life of the asset (lifetime expected loss), unless there has not been a significant increase in credit risk since its origination – if so, the provision is based on expected losses for 12 months.

The 12-month expected loss is part of the lifetime expected loss that represents default events that are possible to occur within 12 months after the base date of the Financial Statements.

The 12-month expected loss and the lifetime expected loss are calculated on both an individual and collective basis, depending on the nature of the portfolio of financial instruments. The policy for grouping financial assets whose expected losses are determined on a collective basis is described in note 25.2.

BRDE has established a policy of evaluating, at the end of each reporting period of its financial statements, whether the credit risk of a financial instrument has increased significantly since its initial recognition, considering the change in the risk of default occurring over the remaining life of the financial instrument. This concept is explained in more detail in note 25.2.1.

Based on the process described above, BRDE classifies its financial instruments in stages, as follows:

- Stage 1: when financial instruments are initially recognized, BRDE recognizes a 12-month expected loss provision. Stage 1 also includes operations that have improved their credit risks and that have been reclassified from Stage 2.
- Stage 2: when a financial instrument has shown a significant increase in credit risk since its origination, BRDE records a provision for lifetime expected loss. Stage 2 also includes operations that have improved their credit risks and that have been reclassified from Stage 3.
- Estágio 3: when financial instruments are considered to have recovery problems. The Bank records a provision for lifetime expected loss.

a) Measurement of expected losses

From the initial application of IFRS, BRDE considers the following factors to measure the provision for expected losses:

- Pobability of default (PD): an estimate of the probability of default over a given time horizon.

BRDE assesses the probability of default of its customers individually, using classification tools designed for different categories of customers. These tools, which were developed internally and combine statistical analysis with credit team input, are validated, where appropriate, through comparison with available external data. Rating tools are kept under review and updated as necessary. Management regularly validates the performance of the rating and its predictive power in relation to default events.

BRDE has an internal model for assigning credit risk classifications (ratings) to its customers and probabilities of default (PD). The model incorporates qualitative and quantitative information and, in addition to customer-specific information, supplementary external information is used, which can affect customer behavior.

- Exposure at default (EAD): an estimate of exposure on the future date of default, taking into account expected changes in exposure after the period of the financial statements, including payments of principal and interest and interest calculated on missed payments.

EAD represents the gross book value of financial instruments subject to the calculation of expected losses, considering the customer's ability to increase their exposure as they approach default and the potential for early payments to occur.

- Loss given default (LGD): an estimate of loss in case of default between the contractual cash flows due and the flows that BRDE expects to receive, including payments for realizing guarantees.

3.3.5 Determination of the fair value of financial instruments

To measure fair value, BRDE classifies financial instruments according to the following hierarchy:

Level 1 – prices traded (without adjustments) in active markets for identical assets or liabilities.

Level 2 – information (inputs) other than prices traded in active markets included in level 1 that are observable for the asset or liability, directly (as prices) or indirectly (price derivatives).

Level 3 – information (inputs) for the asset or liability that are not based on observable market variables.

3.4 Impairment of assets

BRDE periodically reviews whether there is any indication impairment of assets and, when identified, it is recognized in the income statement for the period.

3.5 Fixed asset

Fixed assets are stated at their historical acquisition cost. Depreciation is calculated using the straight-line method, based on the following annual rates, which take the useful life of the assets into account:

	Annual rates
Properties	4%
Facilities, equipment, and communication and security systems	10%
Data processing systems and vehicles	20%

3.6 Intangible asset

Intangible assets intended for the maintenance of the institution or exercised for this purpose. Intangible assets have a defined useful life and basically refer to software, amortized using the straight-line method at a rate of 20% per year from the date of its availability for use. The entity assesses, at the end of each reporting period, whether there was any indication that an intangible asset has suffered devaluation. If there is any indication, the entity estimates the recoverable value of the asset.

3.7 Taxes and contributions

The list of taxes and contributions on profit and on the result to which BRDE is subject to calculate and collect are detailed in note 14, as well as the respective rates in force at the closing date of this year.

Deferred tax credits and liabilities related to income tax and social contribution, calculated at the rates to be applied from 2021, are constituted on temporary differences between the accounting and tax results. In accordance with CMN Resolution No. 4,842/20, the expectation of realizing the aforementioned credits and liabilities of the institution, demonstrated in note 14.2, is based on projections of future results and on a technical study prepared and approved by Management.

3.8 Contingent assets and liabilities

The recognition, measurement and disclosure of active and passive contingencies and legal obligations are carried out in accordance with the criteria defined in CMN Resolution No. 3,823/09 and BCB Normative Instruction No. 319/2022.

Contingent assets: contingent assets are not recognized in accounting, except when Management has total control of the situation or when there are real guarantees or favorable decisions, over which no further appeals can be made, characterizing the realization of the asset as practically certain.

Contingencies: basically arise from judicial and administrative proceedings, inherent to the normal course of business brought by third parties, former employees and public bodies, in civil, labor, tax and social security actions and other risks. These contingencies, consistent with conservative practices adopted, are evaluated by legal advisors and take into account the probability that financial resources will be required to settle the obligations and that their amount can be estimated with sufficient certainty. The values of contingencies are quantified using models and criteria that allow them to be measured appropriately, based on documentary or accounting support, or a history of similar facts, despite the uncertainty inherent to the term or value. Contingencies classified as probable are those for which provisions are set up; possible contingencies require only disclosure and remote contingencies do not require provisions or disclosure.

Legal obligations - tax and social security: result from judicial discussion on the constitutionality of the laws that established them and, regardless of the assessment of the probability of success, their amounts are fully provisioned in the financial statements.

3.9 Post-employment benefits

The Bank is a sponsor of the Fundação BRDE de Previdência Complementar - ISBRE, whose main purpose is to maintain retirement and pension plans (note 23). The actuarial system for calculating the cost and contributions of the plans is capitalization, evaluated every six months by an independent actuary

Actuarial gains or losses recognized for a given period correspond to increases or decreases in the present value of the defined benefit obligation due to changes in actuarial assumptions and adjustments based on experience.

Post-employment benefits are recognized in the income statement as follows:

- Cost of current service: increase in the plan commitment (actuarial liabilities) resulting from the service provided by the employee in the period, that is, due to the "acquisition" of the right for the time of service provision for another period.

- Cost of interest on the actuarial liability: defined as the increase, during the period, in the present value of the obligations as a result of the passage of time.

- Valuation adjustments in net equity: actuarial gains and losses, return on plan assets excluding amounts considered in defined benefit net interest and any change in the effect of the asset ceiling excluding amounts considered in defined benefit net interest.

3.10 Other assets and liabilities

Stated at realizable and/or payable values, including, when applicable: (i) income and charges incurred up to the balance sheet date, calculated on a daily pro rata basis and (ii) the effects of adjustments to reduce the cost of assets or their market or realizable value.

3.11 Main accounting estimates and assumptions

The preparation of financial statements involves the use of estimates and assumptions about future conditions that may impact the accounting balances, due to uncertainties and the high level of subjectivity involved. Therefore, future results may differ from the estimates recognized in accounting.

BRDE Management considers that the assumptions are appropriate and that the financial statements adequately present the financial position and results of operations in all material aspects.

Assets and liabilities and results that are subject to assumptions and estimates include:

- Fair value of financial instruments, including derivative instruments;
- Expected loss on financial instruments;
- Actuarial calculation of post-employment benefit plans;
- Deferred income tax and social contribution; and
- Provisions and contingencies for tax, civil and labor risks.

In thousands of Brazilian Reais

4. CASH AND CASH EQUIVALENTS

	2023	2022
Cash	91,727	108,675
Investment fund quotas	929,820	965,762
Total	**1,021,547**	**1,074,437**

5. FINANCIAL ASSETS AT AMORTIZED COST

Composition of financial assets at amortized cost:

	2023	2022
Securities	**287,272**	**364,724**
Financial letters from private institutions	-	63,457
National Treasury Letter – LTN	287,272	301,267
Credit operations and interbank onlendings (note 6)	**17,733,229**	**15,464,679**
Loans	2,001,533	788,838
Financing	7,639,180	7,235,912
Rural financing	8,092,516	7,439,929
Other financial assets	**188,425**	**202,895**
Interbank onlendings	97,000	123,821
Honored sureties and guarantees	35,674	13,739
Debtors for purchasing goods	55,751	65,335
(-) Expected credit loss	**(429,462)**	**(419,422)**
(-) Expected credit loss on securities	(321)	(1,141)
(-) Expected credit loss on credit operations (note 6.5)	(429,141)	(418,281)
Total	**17,779,464**	**15,612,876**

6. CREDIT OPERATIONS

6.1 Composition by stages

	Stage 1		Stage 2		Stage 3		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Loans	1,786,563	644,697	168,185	99,020	46,785	45,121	2,001,533	788,838
Financing	6,553,079	6,311,051	919,720	788,342	166,381	136,519	7,639,180	7,235,912
Rural financing	7,712,246	7,190,052	372,616	237,738	7,654	12,139	8,092,516	7,439,929
Total	**16,051,888**	**14,145,800**	**1,460,521**	**1,125,100**	**220,820**	**193,779**	**17,733,229**	**15,464,679**

In thousands of Brazilian Reais

6.2 Composition by maturity

	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Not overdue	747,852	2,022,714	4,755,974	3,681,426	6,124,976	17,332,942
Overdue [1]	48,818	42,250	92,092	73,538	143,589	400,287
Total – 2023	**796,670**	**2,064,964**	**4,848,066**	**3,754,964**	**6,268,565**	**17,733,229**
Total – 2022	**726,001**	**1,961,357**	**4,477,202**	**3,193,392**	**5,106,727**	**15,464,679**

[1] An operation is considered overdue when it presents any installments matured over 14 days.

6.3 Concentration by economic activity sector

	2023	%	2022	%
Private sector	**16,781,776**	**94.63%**	**14,676,861**	**94.91%**
Farming and cattle raising	4,581,441	25.83%	3,926,425	25.39%
Industry	4,242,330	23.92%	3,679,532	23.80%
Infrastructure	3,610,987	20.36%	3,113,431	20.13%
Commerce	2,645,262	14.92%	2,431,699	15.72%
Tourism	368,423	2.08%	334,819	2.17%
Health	200,222	1.13%	199,411	1.29%
Financial intermediation	197,299	1.11%	186,667	1.21%
Food supply	79,151	0.45%	108,431	0.70%
Education	80,809	0.45%	85,169	0.55%
Sports, recreation and leisure	157,623	0.89%	129,934	0.84%
Services	618,229	3.49%	481,343	3.11%
Public sector	**951,453**	**5.37%**	**787,818**	**5.09%**
Total portfolio	**17,733,229**	**100%**	**15,464,679**	**100%**

6.4 Concentration by client

	2023	%	2022	%
Largest debtor	276,670	1.56%	230,804	1.49%
Next 10 largest debtors	1,830,707	10.32%	1,573,371	10.17%
Next 20 largest debtors	2,083,690	11.75%	1,774,370	11.47%
Next 50 largest debtors	2,617,627	14.76%	2,216,894	14.34%
Next 100 largest debtors	2,421,293	13.65%	2,126,574	13.75%
Other debtors	8,503,242	47.96%	7,542,666	48.78%
Total portfolio	**17,733,229**	**100%**	**15,464,679**	**100%**

In thousands of Brazilian Reais

6.5 Expected loss on credit operations

6.5.1 Composition of expected loss by stage

	Stage 1		Stage 2		Stage 3		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Loans	28,357	12,381	19,358	26,313	32,670	31,795	80,385	70,489
Financing	83,609	104,631	97,268	98,749	109,659	89,177	290,536	292,557
Rural financing	24,784	28,478	20,082	10,861	4,291	6,081	49,157	45,420
Interbank onlendings	2,116	2,512	-	-	-	-	2,116	2,512
Others	491	556	3,859	3,840	2,597	2,907	6,947	7,303
Total	**139,357**	**148,558**	**140,567**	**139,763**	**149,217**	**129,960**	**429,141**	**418,281**

6.5.2 Changes in expected loss

	Estágio 1	Estágio 2	Estágio 3	Total
Balances on December 31, 2022	**148,558**	**139,763**	**129,960**	**418,281**
Net constitution / (reversion)	6,739	(10,916)	(15,607)	(19,784)
Transfer between stages	(15,799)	11,926	56,240	52,367
Write-off	(141)	(206)	(21,376)	(21,723)
Balances on December 31, 2023	**139,357**	**140,567**	**149,217**	**429,141**

6.6 Renegotiated and recovered credits

	2023	2022
Renegotiated amount in the period	**343,602**	**202,131**
Recovered amount	**157,696**	**136,021**
- Through renegotiation	95,484	38,671
- Through receipt	62,212	97,350

7. FINANCIAL ASSETS AT FAIR VALUE

	Level 1		Level 2		Total	
	2023	2022	2023	2022	2023	2022
Through profit or loss	**889,700**	**947,934**	**892,980**	**885,848**	**1,782,680**	**1,833,782**
Public securities (1)	889,700	947,934	-	-	889,700	947,934
Fixed income fund quotas (2)	-	-	854,246	858,572	854,246	858,572
Investment fund quotas (3)	-	-	38,734	27,276	38,734	27,276
Derivative instruments (4)	-	-	-	-	-	-
Through other comprehensive income	**1,755**	**2,971**	**-**	**-**	**1,755**	**2,971**
Publicly traded shares	1,755	2,971	-	-	1,755	2,971
Total securities	**891,455**	**950,905**	**892,980**	**885,848**	**1,784,435**	**1,836,753**

(1) Of this amount, R$9,275 (2022 – R$8,204) is linked as guarantee in legal proceedings.

In thousands of Brazilian Reais

(2) Of this amount, R$ 391,887 (2022 – R$ 443,708) are resources from Fundo Setorial do Audiovisual - FSA, with BRDE being the fund manager.

(3) These are investment funds managed by private financial institutions. The quotas of these funds are recognized at the values disclosed by the respective administrator on the reporting date:

Fund	Administrator	2023	2022
Fundo Garantidos de Investimento – FGI	BNDES	3,116	2,798
Fundo de Investimento em Participações CRIATEC III	Lions Trust Adm de Recursos Ltda	13,539	11,940
FIP BRL1558 – Anjo Capital Semente	BRI Trust Invesimentos Ltda	9,241	6,768
TM3 Capital VC4 Fundo Invest. Partic. Multiestratégia	Lions Trust Adm de Recursos Ltda	12,777	5,770
Criatec 4 ASG – Fundo Invest Partic Capital Semente	Banco Genial S.A.	61	-
Total		**38,734**	**27,276**

(4) For borrowings from foreign financial institutions, not internalized in national currency, BRDE contracted swaps as a protection measure, presenting the following balances:

	Contract value		Fair value receivable / (payable)	
	2023	2022	2023	2022
Derivative financial instruments designated for hedge accounting	15,153	24,434	(4,485)	(6,483)

Curve and market values of the hedge object and hedge instrument are:

	2023			2022
	Curve value	Market value adjustment	Market value	Market value
Object	15,742	(589)	15,153	24,434
Instrument	3,887	598	4,485	6,483

BRDE carries out effectiveness tests at the beginning of the operation, initial prospective testing of the hedge structure, and periodically evaluates effectiveness at accounting closures on a monthly basis and as a result of the preparation of financial statements. The methodology adopted for effectiveness tests is based on the quotient between the adjustment to market value of the hedge instrument and the adjustment to market value of the hedge object, which allows BRDE to evaluate the net market variation of accruals of the curve. Thus, BRDE complies with what is required by the Central Bank of Brazil, regarding the results and methods adopted.

Position of external funding protected by derivatives:

Institution	Contracted value (1)	Initial date	Final date	Indexer
EIB	€$ 6,707	02/25/2021	09/10/2025	EUR + 0.65% per year

(1) amount expressed in thousands in the contractual currency

8. OTHER ASSETS

	2023	2022
Guarantee deposits	69,233	64,221
Commissions	8,344	14,843
Prepaid expenses	10,664	11,803
Credits receivable from the National Treasury	2,489	18,963
Leasing right of use (note 11)	21,920	18,135
Other assets	5,586	2,783
Non-financial assets held for sale	38,326	39,316
(-) Expected loss on non-financial assets	(19,998)	(20,027)
Total	**136,564**	**150,037**

9. FIXED AND INTANGIBLE ASSETS

Tangible assets refer to fixed assets for own use.

Intangible assets consist of software acquired or developed by BRDE.

	Fixed assets					Intangible assets
	Properties	Equipment	Vehicles	Other	Total	Softwares
Balances on December 31, 2022	**43,260**	**6,730**	**839**	**562**	**51,391**	**14,418**
Acquisitions	437	3,918	-	423	4,778	1,884
Disposals	(113)	(1,532)	(270)	(22)	(1,937)	(711)
Depreciation/Amortization	(1,301)	(1,617)	(75)	(25)	(3,018)	(6,086)
Balances on December 31, 2023	**42,283**	**7,499**	**494**	**938**	**51,214**	**9,505**
Cost	64,763	26,940	1,492	971	94,166	51,359
Accumulated depreciation/amortization	(22,480)	(19,441)	(998)	(33)	(42,952)	(41,854)

In thousands of Brazilian Reais

10. FINANCIAL LIABILITIES AT AMORTIZED COST

	2023	2022
Time deposits	**78,314**	**11,832**
Borrowings and onlendings	**15,482,370**	**13,884,757**
Foreign borrowings and onlendings – financial institutions	1,913,949	1,368,054
Domestic onlendings – official institutions – BNDES	9,402,955	9,346,744
Domestic onlendings – official institutions – FINAME	1,936,060	1,600,915
Domestic onlendings – official institutions – FINEP	699,260	333,895
Domestic onlendings – official institutions – BB	292,046	277,857
Domestic onlendings – official institutions – CEF	595,376	451,718
Domestic onlendings – official institutions – FUNGETUR	584,922	493,957
Domestic onlendings – official institutions – Outras	57,802	11,617
Other financial liabilities	**498,203**	**620,077**
Fundo Setorial do Audiovisual – FSA (1)	391,112	443,630
Client values to be regularized (2)	3,657	15,003
Resources from FUNGETUR (3)	103,434	139,334
Resources from FUNCAFÉ (3)	-	22,110
Total	**16,058,887**	**14,516,666**

(1) Resources intended for the production chain of audiovisual activity in Brazil.

(2) Amounts received from clients in advance of credit renegotiations, pending formalization, and replacement of contracted guarantees.

(3) Corresponds to resources made available by the competent Ministries, intended for financing operations related to the core activity.

11. LEASING OPERATIONS

BRDE predominantly leases properties used in some of its operations, which include renewal options and possible readjustment clauses. During the period ended 12/31/2023, cash outflow from leases was R$2,968 (2022 – R$2,411).

BRDE considers, within the scope of IFRS 16, to measure lease liabilities the total future rental payments, adjusted to present value, with the amount recognized in the Balance Sheet as follows:

	2023	2022
Up to 1 year	2,806	2,279
From 1 to 5 years	15,638	12,949
Over 5 years	3,476	2,907
Total	**21,920**	**18,135**

In thousands of Brazilian Reais

Lease values recognized in the income statement:

	2023	2022
Depreciation expenses	2,806	2,279
Interest expenses	163	132
Total	**2,969**	**2,411**

12. PROVISIONS

	2023	2022
Provision for tax, civil and labor risks (note 13)	100,426	92,185
Provision for banking sureties and guarantees (1)	1,395	5,710
Provision for personnel expenses	29,660	28,713
Total	**131,481**	**126,608**

(1) Calculated through the provision measurement model (impairment) based on the concepts of "incurred loss" on the portfolio of financial guarantees provided in the form of letter of guarantee in the amount of R$ 194,619 (2022 – R$ 159,208) which are secured by real guarantees (mortgages, fiduciary alienation of real estate, among others).

13. PROVISION FOR CONTINGENCIES

The amount of risks for which BRDE constitutes a provision is as follows:

	12/31/2022	Constitution	Adjustment / Interest	Reversal	Payment	12/31/2023
Labor	32,925	3,683	2,391	(4,589)	(4,135)	30,275
Civil	59,260	7,615	4,853	(308)	(1,269)	70,151
Total	**92,185**	**11,298**	**7,244**	**(4,897)**	**(5,404)**	**100,426**

According to note 3.8, the amount of labor provision refers to actions classified as probable loss. Furthermore, there are actions considered as possible loss by the bank's legal advisors in the amount of R$ 117,790 (2022 - R$ 113,080), which largely correspond to collective disputes for equalization between BRDE's Position and Salary Plans.

The civil provisions refer to the following facts:

a. R$ 56,629 refer to attorney's fees due to loss;
b. R$ 5,139 refer to lawsuits filed by debtors seeking compensation; and
c. R$ 8,383 refer to embargoes filed by a debtor against execution of default.

Of the total provision for civil lawsuits, the amount of R$62,213 has been deposited for legal guarantee.

During the 2017 financial year, BRDE was fined by the Brazilian Federal Revenue Service for excluding active monetary variations arising from judicial deposits of a civil nature from the IRPJ and CSLL calculation basis. The process is in the administrative phase and according to our legal advisors, the probability of loss is possible and its value, on 12/31/2023, is R$ 29,528 (2022 – R$ 27,407).

In thousands of Brazilian Reais

14. TAXES

Taxes are calculated at the rates shown below and consider, for effects of respective calculation bases, the legislation in force applicable to each charge.

Tax	Rates
Income tax	15.00%
Additional income tax	10.00%
Social contribution on net income – from 01/2022 to 07/2022(1) and from 01/2023	20.00%
Social contribution on net income – from 08/2022 to 12/2022(2)	21.00%
PIS	0.65%
COFINS	4.00%
ISS	Up to 5.00%

(1) according to Constitutional Amendment no. 103, of November 12, 2019
(2) according to Law no. 14,446/2022

14.1 Income tax and social contribution

	2023	2022
Current income tax through profit or loss	**231,660**	**316,317**
Income tax	125,867	171,210
Social contribution on net income	105,793	145,107
Deferred tax through profit or loss	**37,078**	**202**
Income tax	20,735	738
Social contribution on net income	16,343	(536)
Total income tax and social contribution	**268,738**	**316,519**

14.2 Deferred tax

BRDE has tax credits and liabilities on deferred income tax and social contribution due to temporary differences, which are realized upon payment, use or reversal of related provisions:

CREDITS	12/31/2022	Constitution	Realization	12/31/2023
Impairment of loans and receivables	190,119	139,635	(141,169)	188,585
Impairment of sureties and guarantees	2,569	791	(2,733)	627
Impairment of securities	1,393	339	(135)	1,597
Impairment of non-financial assets	765	517	-	1,282
Contingencies	41,483	6,771	(3,062)	45,192
Provision for medical assistance	104,651	11,793	(16,167)	100,277
Written-off credit operations	37,657	18,703	(8,215)	48,145
Others	1,860	13,051	(4,441)	10,470
Total – deferred assets	**380,497**	**191,600**	**(175,922)**	**396,175**

In thousands of Brazilian Reais

LIABILITIES	12/31/2022	Constitution	Realization	12/31/2023
Granted judicial recovery	1,314	2,317	(626)	3,005
Renegotiations taxed upon receipt	28,014	24,262	(7,957)	44,319
Update of judicial deposits	19,441	2,085	-	21,526
Total – deferred liabilities	**48,769**	**28,664**	**(8,583)**	**68,850**

The estimate of realization of deferred tax assets and liabilities in December 31 are:

Year of realization	Credits		Liabilities	
	2023	**2022**	**2023**	**2022**
1st year	98,198	58,964	6,307	5,433
2nd year	56,239	72,446	28,968	23,094
3rd year	40,391	27,962	5,262	2,829
4th year	36,643	24,265	5,292	3,079
5th year	22,764	18,519	8,341	2,576
6th to 10th year	60,152	56,260	2,955	7,601
After the 10th year	81,788	122,081	11,725	4,157
Total – deferred assets	**396,175**	**380,497**	**68,850**	**48,769**

15. OTHER LIABILITIES

	2023	2022
Profit sharing and payable results	11,993	11,519
Interest on equity	278,817	-
Guarantee fund honors	21,336	19,278
Counterparties	4,586	13,021
Payable third parties taxes and contributions	10,861	11,052
Payable PIS / COFINS / ISS	5,407	5,177
Post-employment benefit (note 23)	234,705	258,803
Leasing operations (note 11)	21,920	18,135
Others	4,618	4,977
Total	**594,243**	**341,962**

16. EQUITY

a. Capital

The subscribed and paid-up capital is represented by 2,225,541,000 common shares with a nominal value of R$ 1.00 per share, and is divided in equal portions between the States of Rio Grande do Sul, Santa Catarina and Paraná. These portions are paid by incorporating any financial contributions and the results generated in each participating State, which are calculated and controlled separately. In

In thousands of Brazilian Reais

2023 there was a capital increase in the amounts of R$ 105,381 and R$ 131,202, arising from the capitalization of the results of the 2nd half of 2022 and 1st half of 2023, respectively.

b. Profit reserves

Profit reserves are formed by the accumulated amount of net results not distributed or capitalized.

According to the Federal Law no. 9,249/95, BRDE calculated Interest on Equity in the year 2023 in the amount of R$ 278,817.

17. NET INTEREST AND SIMILAR INCOME

	2023	2022
Interest and similar income	**2,151,301**	**1,860,887**
Income from credit operations	**1,740,583**	**1,433,220**
Loans	100,886	111,696
Financing	988,189	762,105
Rural financing	632,658	537,265
Interbank onlendings	18,850	22,154
Income from other financial assets	**410,718**	**427,667**
Securities and derivative financial instruments	339,075	320,270
Receipt of credits classified as losses	62,212	97,350
Other assets	9,431	10,047
Interest and similar expenses	**(982,438)**	**(773,253)**
Expenses with borrowings and onlendings	**(952,532)**	**(748,069)**
Foreign borrowings and onlendings	(87,357)	(551)
BNDES	(566,724)	(542,215)
FINAME	(168,667)	(98,169)
CEF	(47,737)	(33,571)
Other resources	(82,047)	(73,563)
Expenses with Other financial liabilities	**(29,906)**	**(25,184)**
Issuance of RDB	(4,046)	(3,862)
Securities and derivative financial instruments	(25,860)	(21,322)
NET INTEREST AND SIMILAR INCOME	**1,168,863**	**1,087,634**

18. NET FEE AND COMMISSION INCOME

	2023	2022
Fee and commission income	**50,115**	**44,907**
FSA administrative Commission	6,883	7,695
Commission on sureties and guarantees	3,994	4,659
Analysis fee	17,382	13,708
Inspection and monitoring fee	13,565	11,649

In thousands of Brazilian Reais

Other fees and services	8,291	7,196
Fee and Commission expenses	**(24,700)**	**(31,657)**
Banking fees	(2,206)	(2,274)
BB Fund administrative fee	(1,890)	(1,945)
Commission over FUNGETUR balances	(14,763)	(21,597)
Commission over foreign borrowings and onlendings	(4,197)	(4,068)
Other commissions	(1,644)	(1,773)
NET FEE AND COMMISSION INCOME	**25,415**	**13,250**

19. PERSONNEL EXPENSES

	2023	2022
Directors and board members' fees	6,804	6,573
Benefits	37,490	31,403
Social charges	65,663	59,215
Salaries	135,407	124,134
Training and selection	555	451
Interns	3,162	2,571
Total	**249,081**	**224,347**

20. OTHER ADMINISTRATIVE EXPENSES

	2023	2022
Rent, water and energy	3,617	3,601
Communications	1,602	1,446
Assets maintenance and conservation	4,237	4,555
Data processing	19,831	11,430
Promotions and public relations	4,810	2,965
Advertising	4,623	3,802
Third party services	3,596	2,581
Specialized technical services	6,645	4,787
Surveillance and security	1,239	1,131
Transport and travel	6,942	4,113
Judicial and notary fees	1,526	1,475
Statutory expenses	5,549	4,712
Tax incentives	6,060	6,580
Other administrative expenses	4,521	3,753
Total	**74,798**	**56,931**

In thousands of Brazilian Reais

21. TAX EXPENSES

	2023	2022
PIS	7,541	7,209
COFINS	46,403	44,361
ISS	2,427	2,089
Other taxes	4,213	3,013
Total	**60,584**	**56,672**

22. OTHER OPERATING INCOME (EXPENSES)

	2023	2022
Other operating income	**8,680**	**32,277**
Sale of written-off credit operations (1)	-	23,857
Update on judicial deposits	5,045	4,581
Other operating income	3,635	3,839
Other operating expenses	**(38,052)**	**(30,230)**
Honored guarantees for written-off clients	-	(5,042)
Interest on actuarial liabilities	(25,451)	(22,671)
Write-off of receivables (2)	(10,242)	
Other operating expenses	(2,359)	(2,517)
Total Other operating income (expenses)	**(29,372)**	**2,047**

(1) This involves the assignment of overdue credits that are fully written-off as losses, without co-obligation, arising from their credit operations to buyers not characterized as related parties.

(2) amounts received as equalization of interest on credit operations.

23. POST-EMPLOYMENT BENEFITS

The Bank offers pension benefit plans and a health care program that are classified as post-employment benefit plans, in accordance with Technical Pronouncement CPC 33 (R1) – Employee Benefits, approved by CMN Resolution No. 4,877/2020.

The accounting of post-employment liabilities/assets and respective expenses/revenues related to post-employment benefit plans is carried out in accordance with the referred Technical Pronouncement and with a report prepared by independent actuaries for December 31, 2023.

23.1 Characteristics of benefit plans

23.1.1 – Pension benefit plans

BRDE is a sponsor of the Fundação BRDE de Previdência Complementar – ISBRE, a closed, non-profit complementary pension entity, created with the aim of offering employees of its sponsors, BRDE and ISBRE itself, supplementary benefits to those of the Official Pension, in special retirement and pension supplementation. The Bank participates in the governance of ISBRE through the appointment of members of the Foundation's Deliberative Council and Fiscal Council.

ISBRE operates within the regulatory structure of the closed supplementary pension system, with the National Complementary Pension Council (CNPC) as its regulatory body and the National Complementary Pension Superintendence (PREVIC) as supervisor, considering the standards issued by these bodies, as well as the provisions of Complementary Law No. 108/2001 and Complementary Law No. 109/2001 and the guidelines established by the National Monetary Council (CMN) for the application of plan guarantee resources. ISBRE manages two pension benefit plans, both sponsored by BRDE:

➢ Benefit Plan I (PB I): structured in the Defined Benefit modality, in which the level of benefits granted by the Plan is determined in advance and depending on the participant's salary in the activity phase, it is closed to new adhesions. The majority of the group of participants is in the inactive phase, and the participants still active have already met, for the most part, the necessary requirements for eligibility to begin retirement under the Plan.

PB I exposes the Bank to risks related to longevity, due to the payment of lifetime benefits, and interest rates. PB I is in a surplus situation, determined in accordance with local rules issued by CNPC and PREVIC, with the surplus resources being fully allocated to a Contingency Reserve, to guarantee benefits. Therefore, it is concluded that there are, at the moment, no economic benefits available to the Bank, as defined in CPC 33 (R1), resulting in the adoption of an Asset Ceiling of R$0 (zero Reais).

On 12/31/2023, the Bank is a sponsor of 48 active participants (12/31/2022 - 53), 382 retirees (12/31/2022 - 385) and 104 pensioners (12/31/2022 - 98).

➢ Benefit Plan II (PB II): implemented in the first half of 2002, structured in the Variable Contribution modality, in which the programmed lifetime income benefits are determined on the date the benefit is granted based on the capitalized amount of BRDE and participants' contributions in individual account balances. The majority of the group of participants is in the activity phase.

PB II exposes the Bank to risks related to longevity, due to the payment of lifetime benefits, and interest rates, although to a lesser extent than PB I, due to its structure in the Variable Contribution modality, in which during the period of activity, contributions are allocated to individual accounts and there are only risks arising from the probability of death or disability of participants.

On 12/31/2023, the Bank is a sponsor of 367 active participants (12/31/2022 - 351), 6 retirees (12/31/2022 - 6) and 16 pensioners (12/31/2022 - 17).

Due to paragraph 3 of art. 202 of the Federal Constitution, BRDE is limited to making contributions to ISBRE of, at most, the same value as the contributions made by participants. In PB I, contributions made by BRDE are equal to those made by its employees, even inactive ones. In PB II, contributions made by BRDE are equal to those made by its employees up to a pre-determined level, in compliance with the Regulations and the annual funding plan. No normal contribution is foreseen for those benefiting from Benefit Plan II.

As part of the management of pension benefit plans, ISBRE implements asset/liability comparison strategies by carrying out annual Asset and Liability Management – ALM studies, as well as carrying out periodic adherence studies of the actuarial tables used in projections of cash flows with future payment of benefits.

In thousands of Brazilian Reais

23.1.2 – Health assistance program - PAS

BRDE offers its retired employees, members of Personnel Regulation I, as well as their respective dependents and active employees, a Health Assistance Program (PAS) with partial reimbursement of medical expenses. PAS is operationalized through health insurance administered by the operator Unimed Seguro Saúde S/A, in Outpatient and Hospital modalities with national coverage. PAS beneficiaries are also former employees who receive supplementary retirement benefits from ISBRE's PB I, and their respective dependents, as well as dependents of deceased employees, reflecting the need for recognition of post-employment liabilities by BRDE, registered in the heading "Other Liabilities".

PAS is structured in a post-payment modality, offering lifetime health care coverage for policyholders, who are also assisted by ISBRE, and their dependents. Therefore, the Program exposes the Bank to risks related to longevity, due to lifetime coverage, interest rates and increased medical costs.

On 12/31/2023, the total number of beneficiaries with post-employment coverage is 828 (12/31/2022 - 839).

23.2 Net value of defined benefit liability (asset)

23.2.1 – Defined benefit liability (asset)

	12/31/2023			12/31/2022		
	PB I	**PB II**	**PAS**	**PB I**	**PB II**	**PAS**
Present value of actuarial liabilities	904,980	31,349	234,705	863,959	27,519	258,695
Fair value of plan assets	(1,153,492)	(31,724)	-	(1,096,242)	(27,412)	-
Deficit (surplus)	**(248,512)**	**(375)**	**234,705**	**(232,283)**	**107**	**258,695**
Effect of asset ceiling	248,512	375	-	232,283	-	-
Net actuarial liabilities (assets)	**-**	**-**	**234,705**	**-**	**107**	**258,695**

23.2.2 – Reconciliation of the present value of actuarial obligations

	12/31/2023			12/31/2022		
	PB I	**PB II**	**PAS**	**PB I**	**PB II**	**PAS**
Actuarial obligations at the beginning of the period	863,959	27,519	258,695	891,868	24,328	236,420
Cost of current service	37	1,067	399	53	946	383
Contributions from participants in the period	898	-	-	866	-	-
Interest expenses	91,188	3,128	29,089	93,275	2,806	25,393
Benefits paid in the period	(79,161)	(1,165)	(17,358)	(74,023)	(1,451)	(18,179)
(Gains)/losses – changes in demographic assumptions	-	-	-	9,191	(740)	6,393
(Gains)/losses – changes in financial assumptions	52,340	3,143	27,038	(60,596)	(2,579)	(334)
(Gains)/losses – adjustments by experience (1)	(24,281)	(2,343)	(63,158)	3,325	4,209	8,619
Actuarial obligations at the end of the period	**904,980**	**31,349**	**234,705**	**863,959**	**27,519**	**258,695**

(1) This amount refers mainly to improvements in the technique for measuring historical medical costs.

In thousands of Brazilian Reais

23.2.3 – Reconciliation of fair value of assets

	12/31/2023		12/31/2022	
	PB I	**PB II**	**PB I**	**PB II**
Fair value of assets at the beginning of the period	(1,096,242)	(27,412)	(1,062,637)	(23,448)
Benefits paid in the period	79,161	1,165	74,023	1,451
Contributions from participants in the period	(898)	-	(866)	-
Contributions from employer in the period	(9,787)	(2,150)	(9,322)	(2,123)
Interest income	(115,955)	(3,132)	(114,729)	(2,819)
Return on assets below (above) interest income	(9,771)	(195)	17,289	(473)
Fair value of assets at the end of the period	**(1,153,492)**	**(31,724)**	**(1,096,242)**	**(27,412)**

23.2.4 – Reconciliation of effect of asset ceiling

	PB I		PB II	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Effect of asset ceiling at the beginning of the period	232,283	170,769	-	-
Interest expenses	24,302	21,004	-	-
Changes in the effect of asset ceiling	(8,073)	40,510	375	-
Effect of asset ceiling at the end of the period	**248,512**	**232,283**	**375**	**-**

23.3 Recognition of defined benefit costs

According to item 120 of CPC 33(R1), BRDE must recognize the cost of the service and net interest on the net value of actuarial liabilities (assets) in profit or loss and the remeasurements of the net value of liabilities (assets) in other comprehensive income.

The following table presents the recognition of the defined benefit cost components in profit or loss and other comprehensive income, as well as the reconciliation of the net actuarial liability (asset).

	12/31/2023			12/31/2022		
	PB I	**PB II**	**PAS**	**PB I**	**PB II**	**PAS**
Net actuarial liabilities (assets) at the beginning of the period	**-**	**107**	**258,695**	**-**	**880**	**236,420**
Net cost of current service	37	1,067	399	53	946	383
Interest expenses – present value of actuarial liabilities	91,188	3,128	29,089	93,275	2,806	25,393
Interest expenses – effect of asset ceiling	24,302	-	-	21,004	-	-
Interest income – fair value of assets	(115,955)	(3,132)	-	(114,729)	(2,819)	-
Expenses (income) through profit or loss	**(428)**	**1,063**	**29,488**	**(397)**	**933**	**25,776**
(Gains)/losses on present value of actuarial liabilities	28,059	800	(36,120)	(48,080)	890	14,678
Changes in the effect of asset ceiling	(8,073)	375	-	40,510	-	-
Return on assets below (above) interest income	(9,771)	(195)	-	17,289	(473)	-
Remeasurements in other comprehensive income	**10,215**	**980**	**(36,120)**	**9,719**	**417**	**14,678**
Contributions from the bank in the period	(9,787)	(2,150)	(17,358)	(9,322)	(2,123)	(18,179)
Net actuarial liabilities (assets) at the end of the period	**-**	**-**	**234,705**	**-**	**107**	**258,695**

In thousands of Brazilian Reais

23.4 Composition of fair value of assets

The PB I and PB II plans maintain assets that are used to fully or partially cover actuarial obligations. The table below shows the composition of the plans' investment portfolio into classes according to the nature and risk of these assets.

	PB I		PB II	
	2023	2022	2023	2022
Cash and cash equivalents	0.00%	0.00%	0.01%	0.03%
Fixed income	81.74%	80.70%	73.53%	71.72%
Variable income	4.29%	3.97%	7.78%	8.37%
Real estate	0.64%	0.66%	0.12%	0.14%
Structured	9.27%	8.78%	13.42%	14.14%
Loan portfolio	0.43%	0.41%	1.71%	1.70%
Others	3.63%	5.48%	3.44%	3.90%

23.5 Actuarial assumptions

The measurement of the Bank's liability with post-employment benefit plans requires the adoption of long-term actuarial and financial estimates and assumptions, as well as the application and interpretation of current regulatory standards. Therefore, the use of estimates and assumptions may result in divergences between the value recorded and the amount actually realized, causing negative or positive impacts on the Bank's operations.

The discount rates, in real terms, were calculated considering the interpolation of reference rates from the IMA-B index, published by ANBIMA, according to the duration of each post-employment benefit plan: 8.34 years for PB I, 14 .65 years for PB II and 11.87 years for PAS.

The following table presents the actuarial assumptions used to determine the present value of the actuarial liability.

In thousands of Brazilian Reais

	PB I		PB II		PAS	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Real actuarial discount rate	5.34%	6.09%	5.47%	6.19%	5.44%	6.21%
Expected real return on assets	5.34%	6.09%	5.47%	6.19%	5.44%	6.21%
Real salary growth rate for active employees	3.70%	3.70%	*	3.70%	N/A	N/A
HCCTR ("medical inflation")	N/A	N/A	N/A	N/A	4.10%	4.10%
Capacity factor on benefits	98.20%	98.20%	100%	98.20%	100%	98.20%
Capacity factor on salaries	98.20%	98.20%	100%	98.20%	100%	98.20%
Expected inflation rate	3.90%	5.31%	3.90%	5.31%	3.90%	5.31%
Nominal discount rate	9.45%	11.72%	9.58%	11.83%	9.55%	11.85%
Expected nominal return on assets	9.45%	11.72%	9.58%	11.83%	9.55%	11.85%
Nominal salary growth rate for active employees	7.74%	9.21%	*	9.21%	N/A	N/A
Nominal growth in plan benefits during receipt	3.90%	5.31%	3.90%	5.31%	3.90%	5.31%
General mortality table	AT 2012 gender specific				AT 2012 gender specific	
Mortality table (disabled)	MI 85, gender specific					
Disability entry table	Álvaro Vindas					
Annual turnover rate	Null					
Retirement entry	100% when eligible		100% when eligible for the scheduled benefit		60 years	
Family composition	Average family For retirees and pensioners, real family (as registered)				Real family (as registered)	
Aging fator	N/A	N/A	N/A	N/A	Up to 24 years: 1.5% From 25 to 54 years: 2.5% From 55 to 79 years: 4.5% 80 years or more: 2.5%	
Take up	N/A	N/A	N/A	N/A	100%	100%

* according to individually projected salary progression, considering BRDE's job and salary plan

23.5.1 – Sensitivity analysis of actuarial assumptions

The table below presents a sensitivity analysis of significant actuarial assumptions, in relation to the effect on the present value of the actuarial liability in the event of a change in assumption, considering reasonably possible variations at the actuarial valuation date.

Assumption	Sensitivity analysis	Impact (in thousands of Reais)			Impact (%)		
		PB I	PB II	PAS	PB I	PB II	PAS
Discount rate	Increase of 0.5 p.p	(34,452)	(2,469)	(12,662)	(3.81%)	(7.88%)	(5.39%)
	Decrease of 0.5 p.p	36,980	2,930	13,859	4.09%	9.35%	5.90%
Life expectancy	Increase of 1 year	24,138	(217)	12,175	2.67%	(0.69%	5.19%
	Decrease of 1 year	(24,498)	264	(11,849)	(2.71%)	0.84%	(5.05%)
HCCTR	Increase of 0.5 p.p	-	-	14,174	-	-	6.04%
	Decrease of 0.5 p.p	-	-	(13,055)	-	-	(5.56%)

23.6 Future cash flows

23.6.1 – Cash flow occurred in the period and expected for the next period

	PB I		PB II		PAS	
	Occurred 12-2023	Expected 12-2024	Occurred 12-2023	Expected 12-2024	Occurred 12-2023	Expected 12-2024
Contributions from employee	9,787	9,078	2,150	2,024	18,179	13,673
Contributions from participants	898	28	-	-	-	-
Benefits paid by the plan	79,161	82,393	1,165	1,396	17,358	13,673

23.6.2 – Maturity profile of the actuarial liability

The amounts presented in the table below, in millions of Reais, represent the expected payment of benefits under the pension benefit plans and, in the case of PAS, cash expenditure by the Bank to cover obligations.

	PB I	PB II	PAS
Next 5 years	409	8	63
From 6 to 10 years	363	11	56
After 10 years	731	100	114

24. RELATED PARTIES

a) Fundação BRDE de Previdência Complementar – ISBRE

BRDE rents rooms owned by the ISBRE Foundation for use in its operational activities. The expenses with said rent are recorded in other administrative expenses.

The Foundation reimburses all remuneration expenses and charges that BRDE incurs with seconded employees who perform management functions at ISBRE.

The Bank pays the Foundation monthly contributions as sponsor of the benefit plans and records it in the result under personnel expenses.

In thousands of Brazilian Reais

The income and expenses incurred with ISBRE are presented below:

	2023	2022 restatement
Rent	(863)	(805)
Salary reimbursement	1,230	1,250
Employer contribution	(18,400)	(16,652)
Total	**(18,033)**	**(16,207)**

b) Remuneration on key management personnel

Related parties are individuals who are members of the Board of Directors, Audit Committee and Executive Board, thus considered as key Management personnel, who received the following amounts consisting of remuneration, charges and benefits:

	2023	2022
Short-term benefits	**8,645**	**8,230**
Executive Board	7,895	7,481
Board of Directors	340	494
Fiscal Council	205	89
Audit Committee	205	166
Contract termination benefits	**927**	**25**
Total	**9,572**	**8,255**

c) Agência de Fomento do Paraná S/A – FOMENTO PR

In the 1st half of 2021, BRDE granted a loan, under similar conditions to other BRDE clients, to Agência de Fomento do Paraná (FOMENTO PR), whose controller is the State of Paraná, one of BRDE's partners, with the balance in 12/31/2023 is R$4,491 (2022 – R$7,069).

25. RISK MANAGEMENT

25.1 Operational risk

Operational risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems, or external events.

Operational risk management is carried out by the Bank, Centrals and Individual Cooperatives. These entities are responsible for complying with internal and external regulations, using systemically established tools, methodologies and processes. Such processes are made up of a set of actions, which aim to maintain the risks to which each institution is exposed at adequate levels. These are:

- Risk assessment and controls;
- Loss base documentation and storage;
- Business continuity management;

25.2 Credit risk

BRDE's risk assessment structure is based on the principle of collegiate technical decision-making, with credit granting levels being defined corresponding to the decision-making levels that range from the agencies to the management sphere and its Risk and Credit Committee in the General Management.

The individualized analysis of the client and its business carried out periodically, combined with commercial and economic perspectives, as well as the systemic parameterization of the rules for granting credit, strengthens BRDE's credit risk assessment system.

BRDE manages, limits and controls concentrations of credit risk whenever they are identified – particularly in relation to individual clients and groups and in relation to the field of activity. Management structures the risk levels it assumes, establishing limits on the extent of acceptable risk in relation to a specific debtor, a group of debtors and segments of the economy. These risks are monitored and subject to annual or more frequent reviews, when necessary.

Exposure to credit risk is also managed through regular analysis of actual and potential loan/financing debtors, considering the effective payment of contract installments.

As a way of protecting the credit granted, BRDE's main strategy is to link real guarantees to credit contracts, preferably consisting of fiduciary alienation of properties whose market valuation value is at least 110% of the total value of the loan.

The nature and value of the real guarantee are considered in the risk classification of the credit operation, with a consequent impact on the estimated probability of default. BRDE does not fail to recognize provisions on its operations due to the existence of guarantees

25.2.1 Impairment policy

At the end of each period BRDE assesses the existence of any objective evidence that an asset or group of financial assets is impaired based on the internal risk classification system. The operational policy requires reviewing the residuary classification of individual financial assets considered relevant (assets with a balance exceeding R$50 thousand) at least once per year.

Loss probabilities and expectations were estimated by grouping credit operations into 6 homogeneous groups:

- ✓ Extractive and transformation industry;
- ✓ Commerce and services;
- ✓ Primary sector;
- ✓ Energy and municipalities;
- ✓ Agro-industrial cooperatives; and
- ✓ Indirect operations.

To calculate LGD, the above grouping was considered and to calculate PD and EAD, in addition to the same grouping, the credit risk rating was considered at the time of evaluation for the defined calculations.

Additionally, macroeconomic information and projections about future financial conditions are used in order to calculate the forward-looking adjustment in the PD of the defined homogeneous groups.

The parameters for calculating PE Life were estimated up to 60 months and extrapolated from then on up to 120 months.

In thousands of Brazilian Reais

Based on these criteria and the information contained in note 3.3.4, we present a summary table of the portfolio and impairment grouped into the segments mentioned above:

		2023		2022	
	Segment	**Balance**	**Impairment**	**Balance**	**Impairment**
Stage 1	Extractive and transformation industry	2,081,951	36,417	1,847,929	57,183
	Commerce and services	2,880,446	68,172	2,589,540	61,588
	Primary sector	1,218,609	8,835	1,208,241	10,854
	Energy and municipalities	2,857,540	11,054	2,135,903	3,460
	Agro-industrial cooperatives	4,470,990	8,736	4,021,853	8,376
	Indirect operations	2,685,851	6,143	2,522,115	7,097
	Total stage 1	**16,195,387**	**139,357**	**14,325,581**	**148,558**
Stage 2	Extractive and transformation industry	445,515	35,632	277,255	37,599
	Commerce and services	568,991	81,708	427,632	88,258
	Primary sector	226,868	11,889	173,885	9,668
	Energy and municipalities	74,491	727	172,373	2,716
	Agro-industrial cooperatives	133,605	9,846	26,967	497
	Indirect operations	52,556	765	66,209	1,025
	Total stage 2	**1,502,026**	**140,567**	**1,144,321**	**139,763**
Stage 3	Extractive and transformation industry	99,714	60,374	72,224	44,206
	Commerce and services	84,849	69,392	76,425	62,092
	Primary sector	32,873	15,463	38,999	18,111
	Energy and municipalities	3,410	1,265	2,597	964
	Agro-industrial cooperatives	-	-	2,164	1,376
	Indirect operations	3,395	2,723	5,263	3,211
	Total stage 3	**224,241**	**149,217**	**197,672**	**129,960**
	Total	**17,921,654**	**429,141**	**15,667,574**	**418,281**

25.3 Market risk

The Bank monitors market risk through the use of the Value at Risk (VaR) methodology, which seeks to simulate and determine the maximum levels of expected loss, in a given period of time, with a certain degree of reliability, both under normal conditions market and in stress and volatility scenarios.

The Fund manager uses VaR to estimate the losses that may be caused to the current investment portfolio by adverse changes in market conditions. For bonds and securities, the confidence level for calculating the non-parametric VaR is 95%, estimated from the series of shocks over the last 150 working days.

On December 31, 2023, the Fund's net equity was R$2,107 (R$2,278 on December 31, 2022), and the VaR was -0.0303% (-0.0409% in 2022).

In thousands of Brazilian Reais

Market monitoring reports, as well as other operational procedures, allow the monitoring, prevention and correction of possible imbalances, guaranteeing the Bank's solidity, mitigated by having a significant portion of its loan and receivables portfolio with terms and rates linked to funding by transfers.

25.4 Liquidity risk

Liquidity risk is related to the inability to meet cash needs, that is, the occurrence of mismatches in financial flows between active and passive operations and the resulting consequences on the institution's ability to obtain financial resources to carry out its obligations.

The Bank maintains its commitments for credit operations, both in assets and liabilities, within the same payment and receipt period, which avoids mismatches and allows the control of liquidity risk and market risk jointly, observing projections for cash flow, as well as possible changes in its structure resulting from variations in the macroeconomic scenario, which may affect allocation and funding within the market.

BRDE maintains in its securities portfolio substantial positions in federal public securities and repurchase agreements backed by federal public securities as a way of reducing liquidity risk. These assets have a large trading volume on the market.

26. CAPITAL MANAGEMENT

Capital management is defined in internal regulations as the continuous process of: (a) Monitoring and controlling the capital held by BRDE; (b) Assessment of the need for capital to face the risks to which the institution is subject; and (c) Planning goals and capital needs, considering BRDE’s strategic objectives.

Reference equity corresponds to the regulatory capital measure used to verify compliance with the Bank's operational limits. According to current regulations, considering local GAAPs, the capital limits in the year ended presented the following values:

	2023	2022
Reference equity	**4,091,817**	**3,823,886**
Total risk-weighted assets (RWA)	**19,274,061**	**18,957,393**
Credit Risk - RWACPAD	17,679,403	17,654,898
Market Risk - RWAMPAD	129,625	81,783
Operational Risk - RWAOPAD	1,465,033	1,220,712
Basel Ratio	**21.23**	**20.17**

EXECUTIVE BOARD

Chief Executive Officer
JOÃO PAULO KARAM KLEINÜBING

Deputy CEO and Operations Director
RANOLFO VIEIRA JÚNIOR

Planning Director
LEONARDO MARANHÃO BUSATTO

Credit Monitoring and Recovery Director
MAURO MARIANI

Financial Director
WILSON BLEY LIPSKI

Administrative Director
JOÃO BIRAL JUNIOR

BOARD OF DIRECTORS

Chairman
JOÃO PAULO KARAM KLEINÜBING

Board Members
WAGNER CARLOS AICHNER
LUIZ CARLOS BORGES DA SILVEIRA
IVAN CESAR RANZOLIN
LEANDRO RIBEIRO MACIEL
FRANCISCO SÉRGIO TURRA
LUÍS CARLOS PRANDINI

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A free translation from Portuguese into English of Independent Auditor's Report on consolidated financial statements prepared in Brazilian currency in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Independent auditor's report on consolidated financial statements

To the
Board of Directors and Officers
Banco Regional de Desenvolvimento do Extremo Sul – BRDE
Porto Alegre - RS

Opinion

We have audited the consolidated financial statements of Banco Regional de Desenvolvimento do Extremo Sul – BRDE (Bank), which comprise the statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco Regional de Desenvolvimento do Extremo Sul – BRDE as at December 31, 2023, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<u>Allowance for expected credit losses (impairment)</u>

As presented in Note 6 to the financial statements, as of December 31, 2023, the allowance for expected losses on the loan portfolio totals R$429,462 thousand, set up for various loan portfolios, periodically reviewed by the executive board with regard to the estimate of expected losses on these transactions (impairment), in accordance with IFRS 9 – Financial Instruments. The estimate involves judgment of the board of directors in determining the allowance by applying a methodology that identifies the expected losses on the ongoing transactions, classified into different stages, using assumptions and judgments that include, among others, an analysis of the economic environment of the markets of the borrowers and payment history of the borrowers in similar contracted operations, including renegotiations and assessments of collateral accepted in the transactions.

Given the materiality of the balances of transactions subject to credit risk, as well as the degree of subjectivity and judgment used by the board of directors in determining the expected loss associated with the credit risk for the loan portfolio, as well as the related disclosure requirements, we consider this matter significant for the audit.

How our audit addressed this matter

We evaluated the design and operation of the relevant internal controls related to the process of approval, registration and release of transactions subject to credit risk, as well as those related to measurement of the allowance for expected credit losses that consider the database, models and assumptions adopted by the executive board, in line with the internal policies, procedures and manuals developed by the Bank to meet the requirements of IFRS 9. With the support of our specialists in validating the amounts of expected losses on transactions subject to credit risk, we evaluated the application of the established methodologies, assumptions and other information determined by the executive board and the classification into the respective risk stages, and recalculated the estimates of expected losses, including the analyses prepared by the Bank's executive board on the possible impacts generated by the current social scenario.

Based on the result of the audit procedures conducted on allowance for expected credit losses for the loan portfolio, which is consistent with the executive board's assessment, we consider that the criteria and assumptions for determination and recognition adopted by the executive board, as well as the respective disclosures, are acceptable in the context of the consolidated financial statements taken as a whole.

Building a better working world

Post-employment benefit plans

The Bank records actuarial liabilities related to post-employment benefit plans which, as mentioned in Note 23 to the consolidated financial statements, comprise pension benefits and health care programs, totaling R$234,705 thousand as of December 31, 2023. This was considered a key audit matter given the materiality of the amounts involved and the complexity of the actuarial liability assessment models, which include the use of long-term assumptions, such as: general mortality, disability, medical costs, salary growth, family structure, discount rate, and inflation.

How our audit addressed this matter

With the support of our actuarial specialists, we conducted the following procedures, among others: analysis of the methodology and of the main assumptions used by the board of directors in assessing actuarial obligations arising from post-employment benefit plans; verification of the mathematical accuracy of the calculation of reserves; and analysis of the consistency of the results in relation to the parameters used and previous assessments. Our audit procedures also included testing of the integrity of master record information used in actuarial projections and the sufficiency of disclosures related to post-employment benefit plans in the financial statements.

Based on the result of the audit procedures carried out on the post-employment benefit plans, which is consistent with the executive board's assessment, we consider that the criteria and assumptions for assessment of actuarial obligations adopted by the executive board, as well as the respective disclosures in Note 23 to the consolidated financial statements, are acceptable, in the context of the financial statements taken as a whole.

Recoverable tax credits

As of December 31, 2023, the Bank records deferred tax assets in the amount of R$396,175 thousand, as presented in Note No. 14 to the financial statements, consisting substantially of temporary differences in the calculation of the income and social contribution tax bases, arising substantially from losses on temporarily nondeductible credits, allowance for losses on loans and receivables, and provision for contingencies and for post-employment benefits.

This was considered a key audit matter given the materiality of the recorded amount and the reasonable level of judgment required to determine assumptions about the Bank's future performance and in the study of realization of these assets, as described in Note 14 to the consolidated financial statements.

How our audit addressed this matter

Among other procedures, we involved our tax specialists to validate the taxable bases and the changes in credit in accordance with current legislation. We also analyzed the methodology and assumptions used by the executive board in the study of realization of tax credits, including projections of future income. We verified the mathematical accuracy of the calculation and the consistency between the data used and the accounting balances, as well as consistency with previous assessments, reasonableness of the assumptions used, and sufficiency of the disclosures in explanatory notes.

Based on the results of audit procedures performed on tax credits, which are consistent with the executive board's assessment, we consider that the recorded balances and criteria and assumptions used in the study of realization of tax credits, including projections of future income, prepared by the executive board, as well as the respective disclosures in Note 14, are acceptable in the context of the consolidated financial statements taken as a whole.

Other matters

Individual and consolidated financial statements

Banco Regional de Desenvolvimento do Extremo Sul – BRDE prepared a complete set of individual and consolidated financial statements for the year ended December 31, 2023 in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, presented separately, on which we issued a separate unmodified independent audit report on the same date.

Responsibilities of the executive board and those charged with governance for the consolidated financial statements

The executive board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive board either intends to liquidate the Bank or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and its subsidiaries' consolidated financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s and its subsidiaries’ internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of the executive board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We described these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Brasília, March 20, 2024

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/F

Renata Zanotta Calçada

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Accountant CRC - RS062793/O-8