

FINANCIAL STATEMENTS

December 31, 2023



MESSAGE FROM THE BOARD

The Executive Board of Banco Regional de Desenvolvimento do Extremo Sul – BRDE, in compliance with legal and regulatory provisions, presents the Financial Statements of the year ended on December 31, 2023.

BRDE is a public financial institution that belongs to the States of Paraná, Santa Catarina and Rio Grande do Sul, operating in the southern region of Brazil since 1961, and its mission is to promote and lead actions to promote economic and social development, support government and private initiatives through planning and long term technical, institutional, and credit support. The Bank also operated in Mato Grosso do Sul, because it is a border state of the region and integrates the Conselho de Desenvolvimento e Integração Sul (Codesul).

In the international scenario, the rise of interest rates in the world's leading economies, Europe and United States, managed to reduce inflation rates during 2023. However, due to the heating of the job market and the rhythm of economic activities, inflation fall did not occur as expected. As a result, the respective Central Banks did not decrease interest rates so far, believing that inflation will probably stabilize in an even lower level.

China, on the other hand, presents a different situation, with controlled inflation and close to neutrality. Interest rates were reduced over the year to encourage investments and consumption, despite the significant economic slowdown to levels inferior to those observed before the pandemic.

In Brazil, the macroeconomic setting is different from those presented above. Inflation was reduced while keeping high interest rates in 2023. The decrease in price level was quite satisfactory, resulting in a gradual start of interest contraction in the second half of the year. In parallel, the Gross Domestic Product (GDP) recorded a surprising growth, influenced by the quite favorable performance of the agricultural production, which, in its turn, greatly contributed to the high trade surplus. In this context, it is worth noticing the downward trend in the unemployment rate, which assists trading and services, activities that are strongly related to families' consumption.

The southern region of Brazil recorded growth similar to that of the national economy, however with difference in performances, when the respective states that make up the region are considered. The drought occurred earlier in the year in Rio Grande do Sul negatively impacted on its GDP, considering the agriculture's direct and indirect effects on the other economic sectors. In the other states, Santa Catarina and Paraná, the performance was higher than that of Brazil.

As a development bank, BRDE's strategy is the financing of investments that will contribute to sustainable development, mainly renewable energy generation, innovative projects, micro and small companies, agribusiness and municipalities. With regard to the Bank performance in granting credit, in 2023, there was R\$ 5.8 billion in financing contracts, 32.1% increase compared to the previous year. From this amount, 80.9% adhere to at least one Sustainable Development Goal (SDG).

Due to the Region's characteristic in food production, BRDE strongly supports rural producers, especially those related to family farming, agroindustrial cooperatives and other agribusiness companies. This year, R\$ 2.7 billion were destined to these activities.

Investments in energy, BRDE's strategic segment, were also outstanding, considering energy security and lower impact on the environment. R\$ 970 million were invested in energy generation via renewable sources, and energy efficiency this year. The broad support to innovation can be observed with the R\$ 697.6 million in financing contracted for innovative projects.

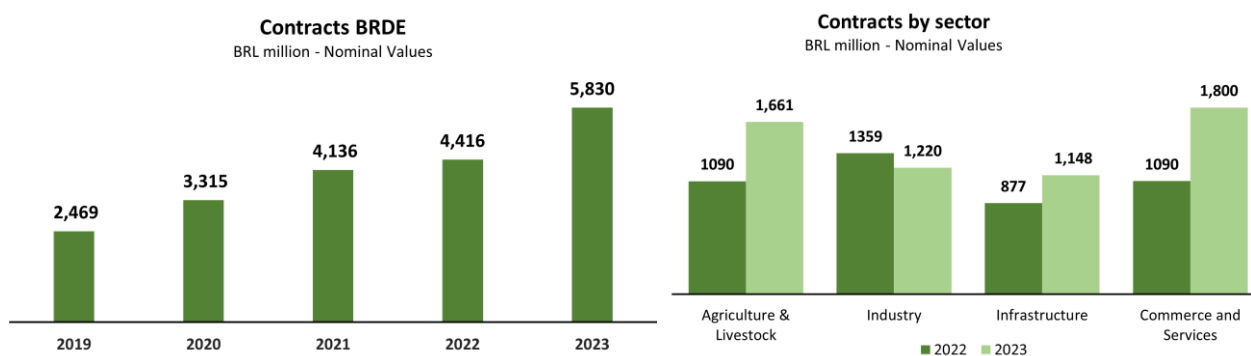
Still in 2023, in addition to the mentioned drought, other climatic events occurred. The floods occurred in the second half of the year in the three states of the south region caused thousands of homeless, in addition to losses in the installed infrastructure, agricultural production and businesses. In both situations, BRDE was supportive to rural producers and businessmen, enabling the re-financing of their contracts and an emergency credit line for retake of economic activities.

With this performance, BRDE's credit portfolio keeps on presenting consistent increase, reaching R\$ 17.8 billion in 2023. In the financial aspect, the Bank recorded R\$ 517.2 million in profits, reflecting increase in incomes from credit granting and low default.

Operational performance

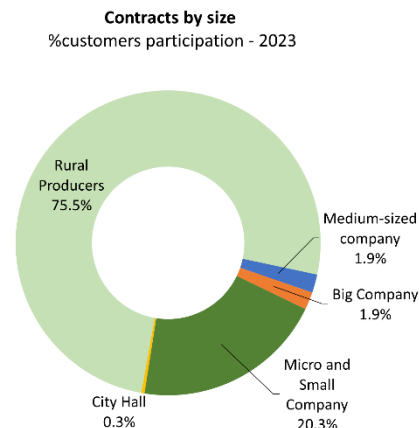
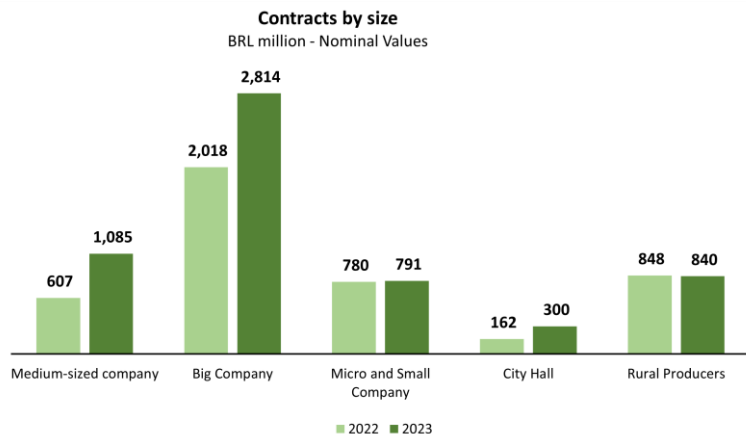
BRDE financing contracts kept on growing in 2023, maintaining the upward trajectory of the last years. The volume of contracted credit hit a new record, exceeding R\$ 5.8 billion, and contemplating several types of undertakings, in the field and in the city, spread across the region where BRDE operates.

Analyzing the credit contracts according to the sector of the economy, commerce and services was the sector with the highest volume of contracts in 2023: R\$ 1.8 billion, with 65.3% variation against the previous year. Next we have agriculture with R\$ 1.6 billion in contracted credits, 52.5% higher than that of 2022. Industry and infrastructure presented quite the same level of resources, approximately R\$ 1.2 billion.



Financing contracts granted by BRDE per size follow a pattern, and, this year it was not different. The highest volume was contracted by large companies, R\$ 2.8 billion, most of them to agroindustrial cooperatives, corresponding to 47.9% of the financing to large companies.

Financing for micro and small companies totaled R\$ 791 million, while those for rural producers amounted to R\$ 839.8 million. Credit contracts with municipalities increased in the last two years, reaching R\$ 300.4 million in 2023, and contemplated investments in street lighting, sanitation, and improvement of urban roads. Regarding the number of contracts in 2023, 75.5% went to rural producers, most of them family farmers, and 20.3% correspond to contracts with micro and small companies, which shows broad access of small entrepreneurs to BRDE credit.

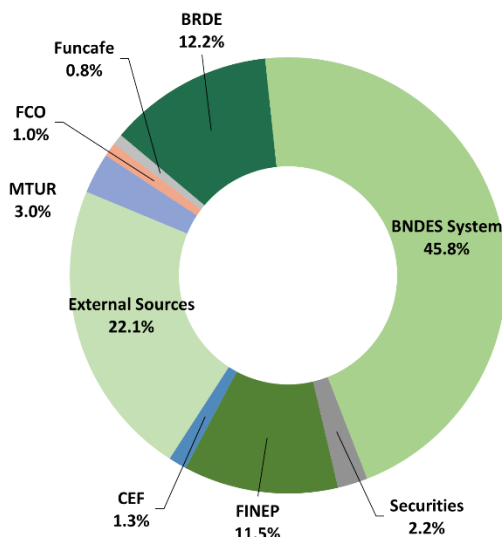


In 2023, the Bank operated its own resources and those from partner financial institutions. The BNDES system continues as the main BRDE funding, with 45.8% of the total contracted. This year, the Bank reached record of contracts with external sources, R\$ 1.3 billion, 180.4% increase against 2022, from funds raised with: Agence Française de Développement (AFD), Corporación Andina de Fomento (CAF), European Investment Bank (EIB), New Development Bank (NDB) and and Inter-American Development Bank (IADB). These sources corresponded to 22.1% of the total of operations contracted.

This year, particularly, financing to innovation reached unprecedented values, R\$ 697.6 million, 279.8% higher against 2022. Most of these contracts were provided with Finep funds, which corresponded to 11.5% of the total contracted by the Bank, the third largest source used. In 2023, BRDE participated with 42% of all financing granted in Brazil by Finep through its accredited agents.

BRDE also counted on funds specific to tourist developments from the Ministério do Turismo (MTUR), through the Fundo Geral de Turismo – Fungetur, which totaled 3% of all credit operations, the Fundo Constitucional do Centro-Oeste (FCO) for support of companies and rural producers from Mato Grosso do Sul, which represented 1%, the Fundo de Garantia do Tempo de Serviço (FGTS) operationalized by the Caixa Econômica Federal (CEF), for support to municipalities, which participated with 1.3%, and the Fundo de Defesa da Economia Cafeeira – Funcafé, with 0.8% of the Bank’s total contracts in the six months.

Contracts by source of resources - % - 2023



This year, BRDE carried out R\$ 2.7 billion in credit to agribusiness, including production cooperatives, rural producers of all sizes and other companies of the segment. So, the agribusiness as a whole contemplates investments in agriculture, industry, trade and services sectors.

The historical partnership with agricultural cooperatives is outstanding. It was built with long term financing granted by the Bank to projects of expansion, verticalization, and modernization of these companies, which made of BRDE a reference in credit to cooperatives. This year, R\$ 1.4 billion was granted to agroindustrial cooperatives. In this type of credit operation, the gains provided to the whole chain that make up these cooperatives' activities are considered, which contemplate industrialization of products from thousands of rural producers.

In the agribusiness, operations via the Programa Nacional de Agricultura Familiar (PRONAF) are also contemplated. BRDE is one of PRONAF's main financial agents. In 2023, BRDE financed R\$ 802.7 million for different investments of the Program, benefitting 4,622 family farmers.

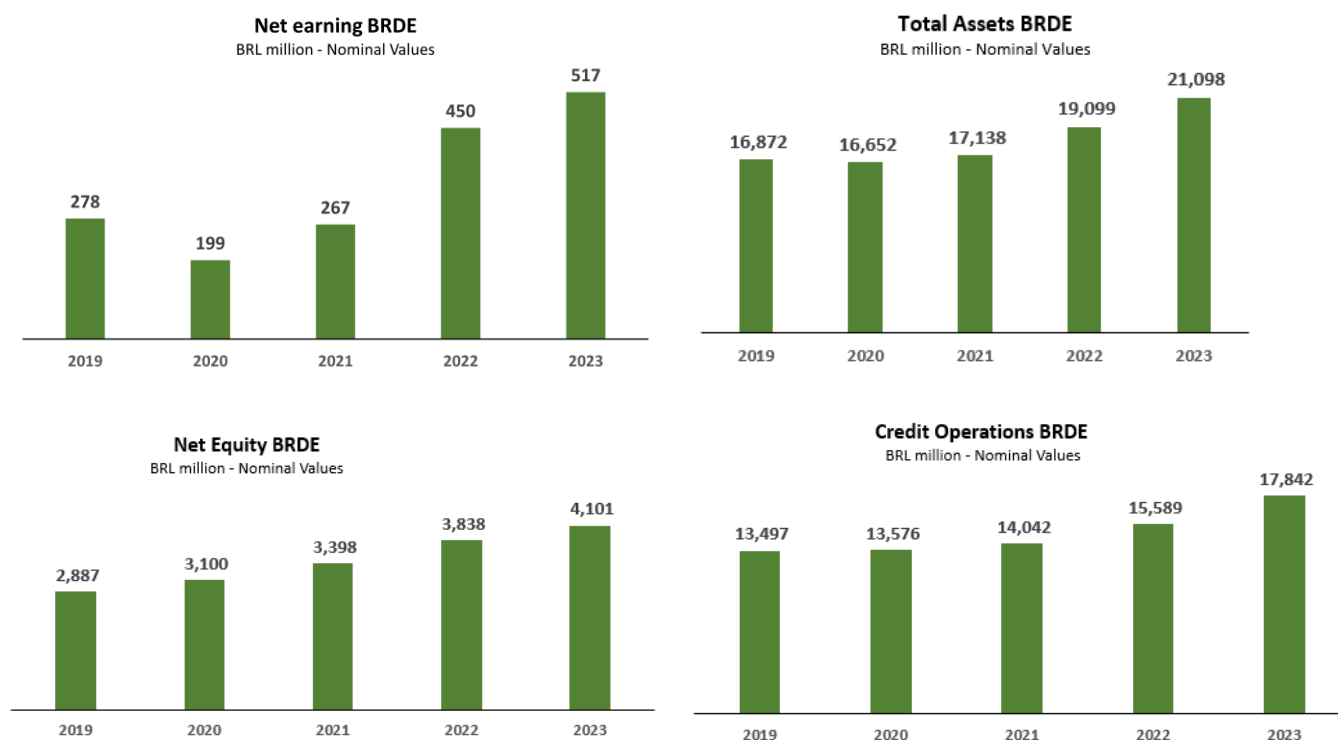
Financial highlights

BRDE net profit was R\$ 517.2 million, 15% above that of 2022. The result was higher than what was estimated in internal projections, which shows the Bank's financial sustainability, one of its Strategic Goals. Such performance was achieved, mainly, with the increase in credit operations' incomes (19.8%) and reduction in tax expenses resulting from the calculation of interest on equity.

BRDE's total asset increased 10.5% compared to the previous year, reaching R\$ 21.1 billion at the end of the year, mainly influenced by the growth in the Bank's credit portfolio. BRDE's equity followed the upward movement, closing the year with R\$ 4.1 billion, which corresponds to 6.8% increase against 2022. The equity increase is associated to the profits made, which are annually paid-in. BRDE's equity provides higher leverage and financial capacity for the Bank to finance the development of the region where it operates.

The balance of credit operations and BRDE's financial transfers increased 14.5% in 2023, reaching R\$ 17.8 billion. Such performance is a result of the success in the application of the growing volume of funds available in the last years, with funding diversification. The portfolio comprises 36.9 thousand active clients, whose financed undertakings were located in 1,214 municipalities, 1,142 of them in the south region. It is worth noticing that BRDE financing is present in 95.9% of the south region's municipalities.

Default rate after 90 days kept its stability in low level, reaching 0.62% in December. In this fiscal year, BRDE matched Basel index of 21.2, keeping more suitable levels of capitalization.



Rating

BRDE is annually subject to risk assessment by highly regarded rating agencies of the international financial market.

In the analysis by the Fitch Ratings in August 2023, BRDE's long term IDRs (Issuer Default Ratings) in Foreign and Local Currencies were raised from "BB-" to "BB", maintaining the Stable Outlook, in line with the Outlook review of the Bank's controlling states and the sovereign assigned to Brazil.

The Moody's Investors Service raised, in November 2023, BRDE's long term global rating from "ba2" to "ba3", with Stable Outlook. Thus, BRDE's rating becomes equal to the Union's, that is, in line with Brazil's sovereign rating. Moody's emphasized the bank's role in the promotion of development in the south region states, supported by disciplined practices of risk management, with robust capitalization that provides appropriate capacity to absorb eventual losses. It also highlighted the capital index, as well as the concentration in its financing base, mainly from

BNDES and multilateral agencies – sources that, according to the agency, have been less volatile in more restrictive moments of the market – in addition to credit risk, supported with high levels of guarantees.

The Moody’s Local BR Agência de Classificação de Risco Ltda. (“Moody’s Local”), on the other hand, raised, in October, the issuer rating of BRDE from “A.br” to “A+.br”, with positive outlook. The Bank’s rating raise acknowledges the gradual improvement of its fundraising structure in the last five years, with reduction in the concentration of transfers from BNDES and access to fundraising with multilateral entities. The Bank’s credit profile was also benefitted from the maintenance of profitability, which preserved its high capital indices via pay-up of results.

BRDE Fundraising Program in the capital market

Fundraising via issue of fixed income securities is strategic for BRDE and occurs in its funding diversification policy. BRDE launched, in June 2023, the BRDE Fundraising Program in the capital market upon direct distribution. The Program’s objective is to promote, recurrently, fundraising through the issue of financial instruments to BRDE clients and partners. To make feasible its securities offer to retail, in line with what is provided in the Strategic Planning, the Bank advanced, in 2023, the implantation of technological solutions to manage the activity, which will enable the escalation of the new business. The expectation is the let these fundraisings occur in a capillary way as of the second half of 2024. With these movements, BRDE can also turn to the issues of financial instruments linked to the ESG agenda, increasingly relevant in its institutional positioning.

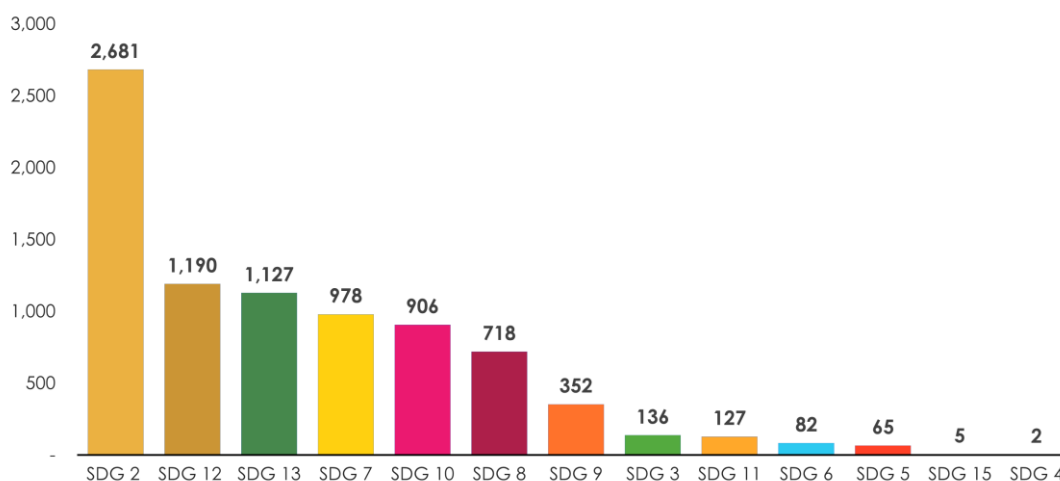
Institutional highlights

Support to sustainability

BRDE credit contracts amounted to R\$ 5.8 billion in 2023, and 80.9% of the amount contracted include at least one Sustainable Goal. This index is called adherence percentage or Operational View. In other words, this year, the Bank made available R\$ 4.7 billion in credit for projects that help in the global effort related to the Sustainable Development Goals.

The diagram below shows the most positively impacted SDGs by BRDE credits:

BRDE contracts by SDG - BRL million



Due to the characteristics of the productive activities of the region where it operates, SDG 2 – Zero Hunger and Sustainable Agriculture – was the Goal that counted on the highest contribution from BRDE. This year, R\$ 2.7 billion were financed for investments in agroindustrial cooperatives, family farming, grain storage, crop/livestock integration projects, irrigation systems, soil recovery and management, among other purposes.

The broad financial support to sustainable projects can be observed in the amounts aligned to SDG 12 - Responsible Production and Consumption – with R\$ 1.2 billion, and SDG 13 – Action Against Global Climate Change, with R\$ 1.1 billion. Many of the investments financed included in these two SDGs were destined to generation of energy from renewable sources, like photovoltaic, Small Hydros, and biomass, in addition to energy efficiency projects and waste use or recycling.

Based on this monitoring of all credit operations, BRDE presents to the society the returns from its activities as public development institution.

UN UNEP-FI

BRDE became member of UN Environment Program in its financial initiative (UNEP-FI), and signatory of the Principles for Responsible Banking. The Bank is the first regional development institution in Brazil to adhere to the commitment. UNEP (United Nations Environment Program) is the main global environmental authority that determines the international agenda on the theme, promotes the coherent implementation of the environmental dimension of sustainable development in the United Nations System and acts as defender of the environment worldwide.

The Principles for Responsible Banking are an instrument used by UNEP-FI to work with the banking community and promote sustainability. These principles are intended to accelerate a positive global transition for people and the planet, ensuring that banks' strategy and practice are aligned to the vision the society established for its future in UN Sustainable Development Goals and in the Paris Agreement.

BRDE in COP28

BRDE, represented by its President João Paulo Kleinübing, participated in important meeting about themes linked to the climate agenda during the COP28, in the Arab Emirates. BRDE participated in the panel organized by the Multilateral Investment Guarantee Agency (MIGA), institution from the World Bank Group, with the theme “Climate action and mobilization of the private sector through public companies”. Along with other international leaders, Kleinübing talked about the role of public banks in the advance of sustainable development.

The panel also discussed the role of public companies in promoting the change to a resilient and low carbon economy. In addition to BRDE and World Bank, the meeting gathered representatives from organizations like Banco Multilateral De Desarrollo (FONPLATA) and Banca de Desarrollo Territorial (Findeter).

The Bank was also one of the guests to participate in the panel promoted by the Associação Brasileira de Entidades Estaduais de Meio Ambiente (Abema) during the COP28. The meeting gathered secretaries of state and leaders to address Brazilian states' commitment to address climate changes, decarbonization, and main strategies to increase resilience in the territories.

Also during the COP28, BRDE participated in meetings with international organisms like Japan International Cooperation Agency (JICA), Asian Infrastructure Investment Bank (AIIB), European

Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW), to discuss possibilities of fundraising.

Support to municipalities affected by extreme climate events

The south region has presented the largest number of people affected by natural disasters in Brazil. Early this year, the third consecutive drought affected Rio Grande do Sul. In the second half of the year, on the other hand, severe floods occurred in Vale do Taquari, Rio Grande do Sul, Vale do Itajaí and the west region of Santa Catarina, and center and west of Paraná, causing thousands of homeless, in addition to losses in the infrastructure installed, agriculture production, and businesses.

BRDE, as a public policy instrument turned to credit, made available to its clients affected by the drought and floods the temporary suspension of the payment of credits, and extension of the terms of ongoing credit operations. These negotiations benefitted 73 clients and 48 municipalities affected by the events and amounted to R\$ 75.4 million. The Bank also provided emergency credit lines for the return of economic activities.

Pronampe Emergencial SC

In November, Santa Catarina government created, in partnership with BRDE, the Programa Emergencial de Apoio às Microempresas e Empresas de Pequeno Porte Catarinenses (Pronampe Emergencial SC). The goal is to encourage the quick reconstruction and recovery of productive undertakings affected by natural disasters, climate catastrophes, and similar situations, located in Santa Catarina municipalities in emergency situation or state of public calamity. The Program, with R\$ 150 million in funds, contemplates working capital for micro and small companies of up to R\$ 150 thousand per company. Pronampe enables partial subsidy of operations' interests by Santa Catarina government, and BRDE is one of those responsible for operating the line. The Program went into operation on December 18, and, in two weeks, BRDE contracted all the 790 requests of financing received, which amounted to R\$ 104.2 million in credit.

Support to innovation

Innovation promotion is a constant strategic goal for BRDE. To contemplate this theme, BRDE INOVA Program brings together the main instruments for support to innovation used by the Bank, split into three different fronts: financing, capital injection via Private Equity Funds (PEs) and startup acceleration programs, BRDE Labs.

In addition to financing of innovative projects, as already mentioned, BRDE participates in PEs with national operation, contributing to have a significant portion of resources Funds invested in companies headquartered in the south region, since, for becoming the Fund quota holder, BRDE requires, at least, that the capital subscribed by the Bank is directed to companies in the region where they operate. BRDE is quota holder of PEs Criatec 3, FIP Anjo, TM3 Capital VC4 and Criatec 4, the latter created this year. In these PEs, BRDE subscribed R\$ 47 million, of which, R\$27.6 million were paid in by 2023.

BRDE Labs Program

BRDE Labs Program is an instrument created to accelerate the development of the innovation environment in the south region. The Program's objective is to become a continuous instrument

of non-credit support to startups, with BRDE as a public sector agent, in tune with the needs of the market linked to innovation. The Program is focused on accelerating startups in order to leverage future funds or partnerships that contribute to their operational success, offering, free of charge, qualification and opportunities for generation of businesses.

The fourth edition of BRDE Labs in Paraná counted, once again, on the partnership by PUCPR Aceleradora Hotmilk and AMCHAM. This year, the program theme is “green and equity innovation”, with challenges involving the area. In total, 182 startups were enrolled, which represented 356 proposals of solutions to the 31 challenges launched by 10 anchor companies participating in the program. From the startups enrolled, 75 presented their pitches and ten reached the final acceleration phase.

BRDE Labs, coordinated by the Rio Grande do Sul Agency, had its fourth edition once again in partnership with Feevale Techpark. This year, priority areas were agribusiness, health care, industry, commerce and services, related to the 14 participant anchor companies. The Program received registrations from 61 startups. After the end of the warm-up, qualifying stage where 32 startups were assessed with one online pitch, 14 (plus two alternates) were chosen to participate in workshops, methodology applied and mentorships, besides the opportunity to make connections with large companies for business generation. In this edition, results were quite relevant, which demonstrates the Program’s evolution. Six startups were directed to PEs, 44 commercial proposals were forwarded and 23 proofs of concept (POC) made.

The second Santa Catarina BRDE Labs obtained 201 startups registered from all the regions of the state. From these companies, 100 startups were selected to participate in the Program. BRDE Labs, in partnership with Associação Catarinense de Tecnologia (ACATE), was intended to strengthen companies in operation and traction phase. With online workshops, tools and mentorships during four months, the selected startups received support for structuring and validating strategies and internal processes for them to achieve feasible and scalable business models. In the following stage, the 45 startups that obtained the best performance throughout the Program participated in the regional boards according to their location: West, Serra, Vale do Itajaí, South, North and Greater Florianópolis. At the end, the 12 highest-rated startups were awarded.

Public-Private Partnerships (PPP)

BRDE works as an ally of its region’s states and municipalities in order to make feasible the structuring of Public-Private Partnerships (PPPs). This activity is one of the Bank’s focuses, present in its Strategic Planning.

In 2023, in addition to the contract with Santa Maria municipality, the Bank entered into service rendering agreements with Sapiranga and Santa Cruz do Sul municipalities, both in Rio Grande do Sul, to structure PPPs for street lighting. In these projects, BRDE is responsible for coordinating the whole structuring of the concession project, which contemplates the diagnose of the current infrastructure, technical, economic, financial and legal modeling, as well as support in the bidding process.

Santa Maria municipality’s project is in final phase, with the concession public notice already published.

These projects’ common goal is the delegation, through administrative concession, of street lighting public service in the municipalities, including modernization, efficiency improvement,

expansion, operation, and maintenance of the municipal street lighting network. These projects are mainly intended to qualify the system by replacing points of light with LED technology, which represents more safety to residents and reduction in expenses with electricity consumption.

In another front, BRDE also finances projects structured by PPPs, as was the case of Pinhais new hospital, in Paraná. The R\$ 124 million investment will be made by the company that wins the bidding process, with R\$ 62 million financed by BRDE with funds raised with AFD. The hospital, focused on neonatal care, will count on 90 beds, 20 of them in the Intensive Care Unit (ICU), half of them for adults and the other half for newborn care. The hospital will fully serve patients from SUS (Sistema Único de Saúde).

As consequence of the excellent work in the sector, in December 2023 BRDE entered into two cooperation terms with Rio Grande do Sul state, through the Partnership Secretariat. In the first, the agreement scope is to work as partner and structurer of projects registered in the program Impulsiona RS, which aims at encouraging, monitoring and supporting Rio Grande do Sul municipalities in the development of projects for concession of public services and PPPs. The second partnership term includes selection of projects to be developed, in the future, for modernization of the state management, particularly by preparing projects and preparatory studies for bidding of concession of assets, public-private partnerships, and other forms of private participation in public businesses.

Fundo Setorial do Audiovisual (FSA)

BRDE is financial agent of the Fundo Setorial do Audiovisual – FSA – since 2012. The Fund is managed by the Agência Nacional de Cinema – Ancine, and aims at the development of the whole production chain of audiovisual activities in Brazil, by using different financial instruments, such as investments, financing, supportive operations, and equalization of financial charges. In 2023, BRDE announced 7 new public call notices for investment in the sector that made available approximately R\$ 730.9 million. This year, BRDE operationalized 424 contracts that totaled R\$ 535.6 million, contemplating 330 audiovisual projects of 70 companies.

Risk management

BRDE, compliant with provisions in CMN Resolution nº 4,557/2017 and complementary regulation, counts on risk management structure separated from the other business units. The Superintendency of Risk Management, Internal Controls and Compliance (SURIS) is responsible for the preparation and review of policies and risk management reports, whose approvals are made by the Board of Directors after appreciation from the Executive Board, which is made based on the recommendations by the Risk and Management Committees. The report defining the risk management structure is available on the Bank's website (www.brde.com.br).

Compliant with BCB Resolution nº 54/2020, BRDE presents its Risk Information Disclosure Report, which gathers a comprehensive set of information on its risk and capital management. While providing stakeholders with broad access to information on risks and management, BRDE seeks to meet the recommendations from the Basel Committee on Banking Supervision (Pillar 3 Report – Market Discipline) with regard to transparency, favoring of market discipline and reduction in information asymmetry. The Pillar 3 Report is found on the following section of BRDE website: <https://www.brde.com.br/gestao-de-riscos/>. It is also available as open data according to specifications established by BACEN on: <https://dadosabertos.bcb.gov.br/dataset/pilar3>.



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Acknowledgement

The results presented to the society in this report would not have been possible without the joint efforts with the controlling states and representatives of the civil society. In this context, the Board thanks its clients for the decision of counting on the support offered by BRDE, those that transferred funds for the continuous and growing partnership in the development process, Governments of the controlling states, the Board of Directors, the Committees of support and the other partners for the confidence, and also thanks the employees, confirming its acknowledgement for the collaboration received.

Porto Alegre, December 31, 2023.

ASSETS	Note	2023	2022
Cash	5	91,707	108,573
Financial instruments		20,923,150	18,834,853
Securities	6	3,001,497	3,167,279
Loans and other credit operations	7	17,733,229	15,464,679
Other financial instruments	8	188,424	202,895
(-) Provision for expected losses related to credit risk	9	(417,556)	(310,553)
Other assets		134,888	152,540
Income receivable		8,344	14,843
Guarantee deposit		69,233	64,221
Other credits	10	18,985	34,189
Non financial assets held for sale		41,174	40,986
(-) Impairment of other assets		(2,848)	(1,699)
Tax assets	17.2	315,387	258,416
Investments		602	602
Fixed assets, net	11	40,708	40,304
Fixed assets in use		75,527	72,686
(-) Accumulated depreciation		(34,819)	(32,382)
Intangible assets, net	11	9,505	14,418
Intangible assets		51,359	50,186
(-) Accumulated amortization		(41,854)	(35,768)
TOTAL ASSETS		21,098,391	19,099,153
LIABILITIES	Note	2023	2022
Time deposits		78,314	11,832
Financial instruments		15,486,854	13,891,240
Domestic onlendings	12.1	13,568,421	12,516,703
Foreign borrowings and onlendings	12.1	1,913,948	1,368,054
Derivative financial instruments	6.2	4,485	6,483
Other liabilities		996,003	922,911
Financial and development funds	13	494,546	605,074
Income tax and social contribution		162,208	239,621
Other tax liabilities		16,268	16,230
Other liabilities	14	322,981	61,986
Provisions		132,342	127,294
Provision for guarantees granted	15	281	4,638
Provision for contingencies	16	100,426	92,185
Provision for outgoing payments		31,635	30,471
Deferred tax	17.2	68,850	48,769
Actuarial liabilities	18	234,705	258,802
Equity	19	4,101,323	3,838,305
Capital		2,225,541	1,971,507
Profit reserves		1,968,027	1,983,628
Other comprehensive income		(92,245)	(116,830)
TOTAL LIABILITIES AND EQUITY		21,098,391	19,099,153

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

		2nd semester		Year	
	Note	2023	2022	2023	2022
Income from financial intermediation		1,149,614	1,017,254	2,216,418	1,878,281
Loans and other credit operations	7.5	1,000,846	855,605	1,901,867	1,571,208
Securities		148,768	161,649	314,551	307,073
Expenses from financial intermediation		(674,914)	(455,558)	(1,114,397)	(778,608)
Funding		(3,303)	(2,114)	(4,046)	(3,862)
Borrowings and onlendings	12.2	(501,872)	(422,580)	(952,532)	(748,069)
Provision for expected losses related to credit risk		(168,939)	(28,869)	(154,056)	(16,081)
Derivative financial instruments	6.2	(800)	(1,995)	(3,763)	(10,596)
Net income from financial intermediation		474,700	561,696	1,102,021	1,099,673
Operating income		38,873	57,688	69,960	99,750
Income from services and banking fees	20	28,075	23,742	50,352	44,907
Other operating income	21	10,798	33,946	19,608	54,843
Operating expenses		(237,604)	(209,304)	(436,490)	(389,548)
Personnel expenses	22	(121,606)	(111,445)	(231,512)	(207,497)
Other administrative expenses	23	(51,182)	(40,831)	(85,753)	(67,719)
Tax expenses	24	(29,932)	(29,617)	(60,584)	(56,672)
Other operating expenses	25	(34,884)	(27,411)	(58,641)	(57,660)
Provisions		(7,276)	(5,763)	(20,722)	(15,463)
Labor claims		(3,957)	(3,008)	(6,074)	(6,433)
Civil and tax provision		(2,330)	(2,755)	(12,468)	(5,187)
Financial guarantees granted		(989)	-	(2,180)	(3,843)
Net operating income		268,693	404,317	714,769	794,412
Other income and expenses		2,590	4,685	6,344	8,020
Net income before tax and profit sharing		271,283	409,002	721,113	802,432
Income tax and social contribution	17.2	8,609	(178,291)	(186,295)	(335,991)
Current		(31,310)	(160,306)	(231,659)	(316,317)
Deferred		39,919	(17,985)	45,364	(19,674)
Profit sharing		(3,262)	(1,042)	(17,568)	(16,850)
NET INCOME		276,630	229,669	517,250	449,591
Basic and diluted earnings per share (lot of 1000 shares)		0.14	0.12	0.26	0.23

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

	2nd semester		Year	
	2023	2022	2023	2022
Net income	276,630	229,669	517,250	449,591
Items that may be reclassified to the income statement				
Financial assets available for sale	1,264	337	1,099	(1,160)
Change in fair value	1,604	250	1,303	(2,109)
Tax effect	(340)	87	(204)	949
Items that cannot be reclassified to the income statement				
Post-employment benefits	(52,623)	(17,009)	(25,684)	(8,440)
Remeasurement of actuarial liabilities	(67,619)	(24,217)	(34,362)	(14,825)
Tax effect	14,996	7,208	8,678	6,385
Total other comprehensive income	(51,359)	(16,672)	(24,585)	(9,600)
TOTAL COMPREHENSIVE INCOME	225,271	212,997	492,665	439,991

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

	Social Capital		Profit reserves		Other	Retained Earnings	Total
	Capital	Capital increase	Regimental Fund	Comprehensive Income	Income		
Balances on July 1, 2022	1,734,924	107,859	1,882,683	(100,158)		-	3,625,308
Changes to market value of securities	-	-	-	337		-	337
Actuarial valuation changes	-	-	-	(17,009)		-	(17,009)
Capital increase (note 19)	236,583	(107,859)	(128,724)	-		-	-
Net income	-	-	-	-		229,669	229,669
Constitution of reserves	-	-	229,669	-		(229,669)	-
Balances on December 31, 2022	1,971,507	-	1,983,628	(116,830)		-	3,838,305
Balances on July 1, 2023	2,094,339	-	2,101,416	(143,604)		-	4,052,151
Changes to market value of securities	-	-	-	(1,264)		-	(1,264)
Actuarial valuation changes	-	-	-	52,623		-	52,623
Capital increase (note 19)	131,202	-	(131,202)	-		-	-
Interest on equity	-	-	(278,817)	-		-	(278,817)
Net income	-	-	-	-		276,630	276,630
Constitution of reserves	-	-	276,630	-		(276,630)	-
Balances on December 31, 2023	2,225,541	-	1,968,027	(92,245)		-	4,101,323
Balances on January 1, 2022	1,734,924	-	1,770,620	(107,230)		-	3,398,314
Changes to market value of securities	-	-	-	(1,160)		-	(1,160)
Actuarial valuation changes	-	-	-	(8,440)		-	(8,440)
Capital increase (note 19)	236,583	-	(236,583)	-		-	-
Net income	-	-	-	-		449,591	449,591
Constitution of reserves	-	-	449,591	-		(449,591)	-
Balances on December 31, 2022	1,971,507	-	1,983,628	(116,830)		-	3,838,305
Changes to market value of securities	-	-	-	(1,099)		-	(1,099)
Actuarial valuation changes	-	-	-	25,684		-	25,684
Capital increase (note 19)	254,034	-	(254,034)	-		-	-
Interest on equity	-	-	(278,817)	-		-	(278,817)
Net income	-	-	-	-		517,250	517,250
Constitution of reserves	-	-	517,250	-		(517,250)	-
Balances on December 31, 2023	2,225,541	-	1,968,027	(92,245)		-	4,101,323

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

	2nd semester		Year	
	2023	2022	2023	2022
Cash flow from operating activities				
Adjusted income before income tax and social contribution	271,283	409,002	721,113	802,432
Adjustments that do not affect cash flow from operating activities	188,255	44,319	198,192	41,322
Depreciation and amortization	4,650	4,575	9,285	9,038
Provision for expected losses related to credit risk	168,939	28,869	154,056	16,082
Provision for financial guarantees granted	(2,474)	(4,438)	(4,357)	(8,936)
Provision for contingencies	3,260	3,903	13,645	1,552
Provision for expected losses on other assets	1,149	1,015	1,149	1,201
Adjustment to market value – assets and liabilities	44	1,077	49	905
Actuarial provision, net of reversions	12,687	9,318	24,365	21,480
(Increase) / decrease in operating assets	(1,367,716)	(1,009,509)	(2,155,269)	(1,701,536)
Securities and derivative financial instruments	(53,745)	(60,574)	129,359	(94,132)
Loans and other credit operations	(1,312,752)	(932,944)	(2,315,603)	(1,606,802)
Other financial instruments	(8,054)	5,971	14,470	3,235
Other assets	6,835	(21,962)	16,505	(3,837)
Increase / (decrease) in operating liabilities	979,554	887,256	1,187,932	1,170,395
Financial instruments	970,188	831,646	1,596,921	1,340,052
Other liabilities	60,896	111,643	(81,609)	101,020
Provisions and actuarial liabilities	(14,079)	(7,367)	(18,340)	(21,035)
Paid income tax and social contribution	(37,451)	(48,666)	(309,040)	(249,642)
Net cash generated from / (used in) operating activities	71,376	331,068	(48,032)	312,613
Cash flow from investing activities				
Investment in intangible assets	(875)	(1,090)	(1,836)	(3,441)
Investment in fixed assets	(2,132)	(1,127)	(3,428)	(2,371)
Sale of property and equipment in use	472	7	488	7
Net cash generated from / (used in) investing activities	(2,535)	(2,210)	(4,776)	(5,805)
Increase / (decrease) in cash and cash equivalents	68,841	328,858	(52,808)	306,808
Changes in the financial position				
Cash and cash equivalents at the beginning of the period	952,686	745,477	1,074,335	767,527
Cash and cash equivalents at the end of the period	1,021,527	1,074,335	1,021,527	1,074,335
Increase / (decrease) in cash and cash equivalents	68,841	328,858	(52,808)	306,808

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

	2nd semester		Year	
	2023	2022	2023	2022
Income	1,191,289	1,080,672	2,291,749	1,983,440
Financial intermediation	1,149,614	1,017,254	2,216,418	1,878,281
Services rendered	28,075	23,742	50,352	44,907
Provision for financial guaranteed granted	2,474	4,438	4,357	8,936
Others	11,126	35,238	20,622	51,316
Expenses	684,799	470,108	1,135,001	806,045
Financial intermediation	505,975	426,689	960,341	762,527
Provision for expected losses related to credit risk	168,939	28,869	154,056	16,081
Others	9,885	14,550	20,604	27,437
Inputs acquired from third parties	78,192	55,175	132,666	100,328
Supplies, energy and other	70,847	49,432	119,746	90,234
Third-party services	7,345	5,743	12,920	10,094
Gross added value	428,298	555,389	1,024,082	1,077,067
Depreciation and amortization	4,650	4,575	9,285	9,038
Total added value for distribution	423,648	550,814	1,014,797	1,068,029
Distribution of added value	423,648	550,814	1,014,797	1,068,029
Personnel	101,241	93,072	194,240	174,074
Salaries	76,357	69,732	145,373	133,278
Benefits	20,381	19,231	38,900	31,698
FGTS	4,503	4,109	9,967	9,098
Taxes, fees and contributions	41,689	226,282	284,152	426,086
Federal	40,260	225,159	281,265	423,435
State	6	5	49	49
Local	1,423	1,118	2,838	2,602
Remuneration on third party capital	826	749	1,587	1,428
Rental	826	749	1,587	1,428
Equity remuneration	279,892	230,711	534,818	466,441
Profit sharing	3,262	1,042	17,568	16,850
Retained earnings	276,630	229,669	517,250	449,591

The accompanying notes are an integral part of these 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 Basis of preparation and presentation of financial statements

The financial statements were prepared in accordance with BACEN and CMN regulations, and based on the provisions of the Brazilian Corporation Law, as long as they do not conflict with the regulations issued by regulatory bodies.

The presentation of the statements is in accordance with the Accounting Plan for Institutions of the Financial System – COSIF and with the pronouncements issued by the Accounting Pronouncements Committee – CPC, which were received by the regulatory bodies.

The Balance Sheet is presented in order of liquidity and enforceability, for the asset and liability accounts, respectively, as per the prerogative provided for in art. 23 of BACEN Resolution No. 2/2020, with the segregation of short- and long-term values presented in note 4.

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 equivalents are represented by available cash (domestic and foreign bank deposits) and securities with short-term maturity and that present insignificant risk of fair value change.

3.3 Securities

In accordance with BACEN Circular No. 3,068/2001, and complementary regulations, securities are classified according to trading intention, at the discretion of the Administration, into three categories, namely:

- Trading securities - measured at fair value, with related gains or losses recognized in the income statement;
- Available-for-sale securities - updated based on intrinsic conditions in the income statement, and adjustment to market value recognized in the specific equity account; and
- Held-to-maturity securities - updated based on intrinsic conditions in the income statement.

3.4 Derivative financial instruments

According to BACEN Circular No. 3,082/2002, derivative financial instruments are classified, on the date of their contracting, as a protection instrument (hedge) or not, according to the administration's intention. Among the different types of derivative instruments, BRDE operates with the swap modality.

Transactions with derivative financial instruments are recorded at their fair value, considering the mark-to-market methodologies adopted by BRDE. The method for recognizing gains and losses resulting from operations can be recorded in profit or loss or in equity, depending on the category of hedge accounting adopted.

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.

3.5 Credit operations, other credits with characteristics of credit operations

These operations are stated at the realizable value plus, when applicable, and on a daily "pro rata" basis, the income earned in the period, based on the variation in the index and the contracted interest rate and deducted from the value of rents to be appropriated.

Operations due up to 59 days accrue interest in the income statement, and interest income after the 60th day is recognized only upon actual receipt.

When contracted, and in accordance with parameters defined by BRDE, credit operations are classified at risk level, which varies from "AA" (lowest risk) to "H" (highest risk). This risk may change through periodic reassessments or depending on the delay, strictly complying with the provisions of CMN Resolution No. 2,682/1999.

Delayed operations classified at the worst level ("H") remain at that level for six months, when they are then written off against the existing provision and controlled in memorandum accounts.

Renegotiated operations, which have not been transferred to memorandum accounts, are classified at least in the same risk level as they were on the renegotiation date, while those that were already written off are classified as "H". However, in both cases, classification to lower risk levels is permitted whenever there is significant amortization or the occurrence of a relevant fact that justifies the improvement.

3.6 Provisions for expected losses related to credit risk

The provision for expected losses related to credit risk is constituted by the minimum percentages established in BACEN standards plus additional provisions, and is based on the analysis of each operation and takes into account the economic situation, past experience and specific portfolio risks.

3.7 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.

3.8 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:

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

3.9 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.

3.10 Onlendings

Demonstrated by the amounts of liabilities considering charges and monetary or exchange variations up to the date of the financial statements, recognized on a daily pro rata basis.

3.11 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 17, 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 2024, 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 17.2, is based on projections of future results and on a technical study prepared and approved by Management.

3.12 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.

3.13 Actuarial liability

The Bank is a sponsor of the Fundação BRDE de Previdência Complementar - ISBRE, whose main purpose is to maintain retirement and pension plans (note 18). 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.

3.14 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.

4. CURRENT AND NON-CURRENT SEGREGATION

In compliance with art. 23 of BACEN Resolution No. 02/2020, we present, for balance sheet items, the current and non-current segregation.

ASSETS	2023		2022	
	Current	Non-current	Current	Non-current
Cash	91,707	-	108,573	-
Securities	2,950,673	50,824	3,141,159	26,120
Loans and other credit operations	2,861,634	14,871,595	2,687,358	12,777,321
Other financial instruments	67,700	120,724	45,909	156,986
(-) Provision for expected losses related to credit risk	(102,365)	(315,191)	(71,378)	(239,175)
Income receivable	8,344	-	14,843	-
Guarantee deposit	-	69,233	-	64,221
Other credits	18,985	-	34,189	-
Non financial assets held for sale	25,843	15,331	17,715	23,271
(-) Impairment of other assets	(2,115)	(733)	(1,015)	(684)
Tax assets	-	315,387	-	258,416
Investments	-	602	-	602
Fixed assets, net	-	40,708	-	40,304
Intangible assets, net	-	9,505	-	14,418

LIABILITIES	2023		2022	
	Current	Non-current	Current	Non-current
Time deposits	-	78,314	11,832	-
Domestic onlendings	2,277,997	11,290,424	2,221,964	10,294,739
Foreign borrowings and onlendings	202,594	1,711,354	140,734	1,227,320
Derivative financial instruments	3,257	1,228	2,447	4,036
Financial and development funds	494,546	-	605,074	-
Income tax and social contribution	162,208	-	239,621	-
Other tax liabilities	16,268	-	16,230	-
Other liabilities	301,645	21,336	61,986	-
Provision for contingencies	-	100,426	-	92,185
Provision for guarantees granted	-	281	-	4,638
Provision for outgoing payments	31,635	-	30,471	-
Actuarial liabilities	-	234,705	-	258,802
Deferred tax	-	68,850	-	48,769

5. CASH AND CASH EQUIVALENTS

	2023	2022
Cash	91,707	108,573
Investment funds quotas (note 6)	929,820	965,762
Total	1,021,527	1,074,335

6. SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

BRDE's financial instruments are all classified as hierarchy level 1, where their prices are quoted in active markets for the same instrument without modification.

	2023	2022
Own portfolio – note 6.1	1,679,370	1,757,809
Investment fund quotas (note 5)	929,820	965,762
Investment fund quotas – FSA resources	392,307	443,708
Total	3,001,497	3,167,279

6.1 Own portfolio

BRDE's own portfolio has the following composition, with investment fund quotas being classified as available for sale and have no expiration date, as well as shares of publicly-held companies.

	2023	2022
Investment fund quotas – BB exclusive fund (a)	1,177,029	1,312,697
Investment fund quotas – CEF fund	461,764	408,621
Investment fund quotas – other funds	175	6,244
Quotas of participation funds (b)	38,734	27,276
Quotas of publicly-held companies (c)	1,668	2,971
Total	1,679,370	1,757,809

a) Exclusive fund with a fixed income profile, managed by BB Administração de Ativos - Distribuidora de Títulos e Valores Mobiliários S.A., based on parameters established by BRDE, in which the goal is to obtain a profitability greater than 101% of the DI rate to 86% of the portfolio and higher than IPCA + 5% for the remaining 14%. Of this amount, R\$12,090 (2022 – R\$11,208) is pledged for legal proceedings. Evaluated at market value, the composition of the fund is as follows:

	2023	2022
Financial Treasury Letter (LFT)	756,625	710,018
National Treasury Notes (NTN-B)	287,272	301,267
National Treasury Bonds (LTN)	133,074	237,916
Other	58	63,496
Total	1,177,029	1,312,697

b) They represent quotas of funds in participations or guarantors, which are managed by private institutions, with their quotas updated by the values disclosed by the respective administrators on the balance sheet date, presenting the following situation on December 31:

	Capital		Updated Balance
	Subscribed	Paid in	
Fundo Garantidor de Investimentos – FGI	1,900	1,900	3,116
Fundo Criatec III	12,000	11,603	13,539
FIP Anjo Capital Semente	15,000	8,303	9,241
TM3 Capital VC4 FIP Multiestratégia	10,000	7,442	12,777
Criatec 4 ASG FIP Capital Semente	10,000	267	61
Total	48,900	29,515	38,734

c) The accumulated effects resulting from the evaluation of the share portfolio, acquired at a cost of R\$6,068, were taken to the specific equity account, deducting tax effects.

BRDE does not have securities classified in the held-to-maturity category, nor were any reclassifications or changes in classifications between categories carried out by Management.

6.2 Derivative instruments

BRDE participates in operations involving derivative financial instruments in the swap modality, recorded in balance sheet and memorandum accounts, with the aim of mitigating the risks arising from exchange rate variations in the external funding operation (hedge object) carried out by BRDE with international financial institutions.

The maturity of the derivative instrument used in this modality has the same maturity as the funding transaction, both being adjusted to the market value, which is determined using an internal methodology duly documented and approved by management.

For this purpose, BRDE established fair value hedge accounting and, as determined by BACEN Circular No. 3,082/02, variations and adjustments arising from the valuation of these instruments and hedge objects are recorded in the income statement.

The following table presents the amounts posted to balance sheet and memorandum accounts:

Swap - asset	2023		
	Notional	(Payable)/receivable amount	Net effect
	(memorandum account)	(balance sheet)	(income statement)
(EUR+Euribor+tx) x (R\$+CDI+tx)	19,638	(4,485)	4,683

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

The maturity of the hedge object and the hedge instrument are shown below:

	2023				2022
	Up to 3 months	From 3 to 12 months	After 12 months	Total	Total
Object	2,249	6,560	6,344	15,153	24,434
Instrument	1,025	2,232	1,228	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

7. LOANS AND OTHER CREDIT OPERATIONS

7.1 Composition by type of operation and risk level

Risk level	Loans	Financing	Rural Financing	Total	
				2023	2022
AA	553,343	2,353,488	4,199,723	7,106,554	6,732,545
A	1,142,145	3,169,955	3,322,445	7,634,545	6,506,327
B	182,113	1,385,356	405,832	1,973,301	1,340,645
C	36,291	406,998	68,946	512,235	466,766
D	18,100	153,640	24,145	195,885	153,107
E	8,461	10,360	5,288	24,109	54,162
F	4,681	8,789	5,698	19,168	24,053
G	57	21,029	2,445	23,531	18,705
H	56,342	129,564	57,995	243,901	168,369
Total – 2023	2,001,533	7,639,179	8,092,517	17,733,229	-
Total – 2022	788,838	7,235,912	7,439,929	-	15,464,679

7.2 Composition by maturity

Operations in ordinary course											
	AA	A	B	C	D	E	F	G	H	2023	2022
Falling due	7,095,759	7,560,629	1,897,906	442,437	121,116	13,533	5,674	17,380	178,508	17,332,942	15,194,015
Up to 3 months	341,382	309,716	67,189	18,887	4,582	1,020	136	65	4,875	747,852	703,170
From 3 to 12 months	908,192	847,712	183,512	48,775	12,424	1,902	1,022	859	18,316	2,022,714	1,909,912
From 1 to 3 years	2,028,303	2,042,453	479,102	128,703	28,218	5,567	1,550	3,762	38,316	4,755,974	4,388,661
From 3 to 5 years	1,470,553	1,674,607	359,362	110,416	23,071	4,020	789	4,100	34,508	3,681,426	3,142,472
Over 5 years	2,347,329	2,686,141	808,741	135,656	52,821	1,024	2,177	8,594	82,493	6,124,976	5,049,800
Non-performing operations - with overdue installments of more than 14 days											
Falling due	958	2,965	5,770	4,938	4,290	1,367	2,569	1,337	11,273	35,467	25,594
Overdue	9,837	70,951	69,625	64,860	70,479	9,209	10,925	4,814	54,120	364,820	245,070
Up to 3 months	174	728	2,316	2,152	1,823	680	1,013	540	3,925	13,351	11,645
From 3 to 12 months	1,281	1,543	9,612	6,619	6,530	1,538	2,351	1,493	11,283	42,250	37,037
From 1 to 3 years	3,202	10,808	18,983	14,912	13,206	3,158	4,668	2,414	20,741	92,092	88,541
From 3 to 5 years	2,820	13,835	13,795	12,687	9,925	2,281	2,251	367	15,577	73,538	50,920
Over 5 years	2,360	44,037	24,919	28,490	38,995	1,552	642	-	2,594	143,589	56,927
Total portfolio – 2023	7,106,554	7,634,545	1,973,301	512,235	195,885	24,109	19,168	23,531	243,901	17,733,229	-
Ordinary course – 2022	6,728,834	6,481,559	1,280,646	408,431	111,294	20,799	7,433	15,660	139,359	-	15,194,015
Non-performing -2022	3,711	24,768	59,999	58,335	41,813	33,363	16,620	3,045	29,010	-	270,664
Total portfolio – 2022	6,732,545	6,506,327	1,340,645	466,766	153,107	54,162	24,053	18,705	168,369	-	15,464,679

7.3 Concentration by economic activity sector

	2023	%	2022	%
Public sector	951,453	5.37%	787,818	5.09%
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%
Total portfolio	17,733,229		15,464,679	

7.4 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		15,464,679	

7.5 Income from credit operations and interbank onlendings

	2nd semester		Year	
	2023	2022	2023	2022
Loans	46,893	58,420	100,886	111,696
Financing	511,269	428,626	988,188	762,105
Rural financing	305,818	249,314	578,917	481,305
Agro-industrial financing	30,597	32,373	53,620	55,960
Interbank onlendings	8,713	11,533	18,850	22,154
Recovery of credits written off credits	95,557	73,643	157,696	136,021
Others	1,999	1,696	3,710	1,967
Total	1,000,846	855,605	1,901,867	1,571,208

8. OTHER FINANCIAL INSTRUMENTS

	2023	2022
Interbank onlendings	97,000	123,821
Honored sureties and guarantees	35,673	13,739
Debtors for purchasing goods	55,751	65,335
Total portfolio	188,424	202,895

9. PROVISION FOR EXPECTED LOSSES RELATED TO CREDIT RISK

9.1 Composition of the provision

Risk Level	Provision for expected losses for:				Total provision	
	Credit Operations		Interbank	Other	2023	2022
	Regulatory	Additional	Onlendings	Credits ¹		
A	38,173	-	463	77	38,713	33,200
B	19,733	-	-	32	19,765	13,408
C	15,367	-	-	207	15,574	14,003
D	19,588	9,794	-	-	29,382	24,188
E	7,233	2,411	-	-	9,644	23,926
F	9,584	2,875	-	91	12,550	15,690
G	16,471	5,883	-	-	22,354	17,769
H	243,901	-	-	25,673	269,574	168,369
Total - 2023	370,050	20,963	463	26,080	417,556	-
Total - 2022	284,988	21,355	584	3,626	-	310,553

(1) operations with credit granting characteristics: guarantees and guarantees honored and debtors for the purchase of goods and values

The additional provision corresponds to the amount exceeding the minimum required by CMN Resolution no. 2,682/99 and is constituted within prudential criteria established by the Administration, in accordance with good banking practice, in order to allow the absorption of losses arising from circumstantial increases in default due to possible reversal/change in the economic cycle of sectors in which BRDE operates.

9.2 Changes in the provision for expected losses related to credit risk

	2023	2022
Opening balances	310,553	346,053
Constitution due to changes in risk level	170,898	99,331
Constitution due to credit recovery	95,484	38,671
Reversals due to changes in risk level	(112,326)	(121,921)
Transfer to memorandum accounts	(47,053)	(51,581)
Closing balances	417,556	310,553

9.3 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

10. OTHER ASSETS

	2023	2022
Advances and salary anticipations	2,037	2,135
Payments to be refunded	4,300	10,769
Pendencies to be regularized	1,738	162
Prepaid expenses	10,664	11,803
Specific credits	-	8,678
Others	246	642
Total	18,985	34,189

The balance of specific credits refers to the remuneration for PESA program operations owed by the National Treasury Secretariat (STN).

11. FIXED AND INTANGIBLE ASSETS

	Fixed assets					Intangible assets
	Properties	Equipment	Vehicles	Other	Total	Softwares
Balances on December 31, 2022	32,833	6,508	839	124	40,304	14,418
Acquisitions	437	3,918	-	423	4,778	1,884
Disposals	(113)	(1,532)	(270)	(22)	(1,937)	(711)
Depreciation/Amortization	(720)	(1,617)	(75)	(25)	(2,437)	(6,086)
Balances on December 31, 2023	32,437	7,277	494	500	40,708	9,505
Cost	44,536	26,718	1,492	2,781	75,527	51,359
Accumulated depreciation/amortization	(12,099)	(19,441)	(998)	(2,281)	(34,819)	(41,854)

12. BORROWINGS AND ONLENDINGS

12.1 Borrowings and onlendings

Foreign borrowings represent resources that BRDE sought from international institutions with the priority of being used in financing, but without transaction maturities being linked to each other.

Domestic onlendings correspond to resources originated from official programs and foreign onlendings correspond to resources originated from international institutions, which are passed on to final debtors. The onlending liabilities mature until the year 2048, being subject, for the most part,

to pre-fixed financial charges, being passed on to customers at the same terms and rates, plus “del credere”.

	2023			2022	
	Up to 1 year	From 1 to 5 years	Over 5 years	Total	Total
Domestic	2,277,997	6,878,774	4,411,650	13,568,421	12,516,703
BNDES	1,690,451	4,681,256	3,031,248	9,402,955	9,346,744
FINAME	276,626	1,162,109	497,325	1,936,060	1,600,915
FINEP	88,730	455,052	155,478	699,260	333,895
BB	54,721	137,454	99,871	292,046	277,857
CEF	37,397	153,823	404,156	595,376	451,718
FUNGETUR	100,369	273,336	211,217	584,922	493,957
Outros	29,703	15,744	12,355	57,802	11,617
Foreign	202,594	704,456	1,006,898	1,913,948	1,368,054
AFD	73,685	322,369	527,222	923,276	815,763
CAF	110,167	260,632	32,446	403,245	426,586
EIB	16,437	106,744	153,688	276,869	125,705
NDB	163	7,821	228,350	236,334	-
IDB	2,142	6,890	65,192	74,224	-
Total – 2023	2,480,591	7,583,230	5,418,548	15,482,369	-
Total – 2022	2,362,698	6,981,957	4,540,102	-	13,884,757

Agence Française de Développement (AFD), New Development Bank (NDB) and Inter-American Development Bank (IDB) – onlending operations in which the effects of exchange rate variations are passed on to the final customer;

Corporación Andina de Fomento (CAF) – borrowing operations with resources internalized in Reais (*swap offshore*);

European Investment Bank (EIB) – BRDE has a loan operation, for which it contracted a swap (note 6.2). The remaining operations are onlendings and the effects of exchange rate variations are passed on to the final customer.

12.2 Expenses with borrowings and onlendings

	2nd semester		Year	
	2023	2022	2023	2022
Expenses with onlendings from BNDES	273,409	260,704	566,724	542,215
Expenses with onlendings from FINAME	84,277	55,603	168,667	98,169
Expenses with onlendings from FINEP	11,720	8,227	20,853	15,551
Expenses with onlendings from BB	9,284	7,690	18,360	15,108
Expenses with onlendings from CEF	22,460	18,378	42,834	33,571
Expenses with onlendings from other domestic institutions	20,655	18,788	47,737	42,904
Expenses with foreign onlendings	80,067	53,190	87,357	551
Total	501,872	422,580	952,532	748,069

13. FINANCIAL AND DEVELOPMENT FUNDS

	2023	2022
Fundo Setorial do Audiovisual (FSA) ⁽¹⁾	391,112	443,630
Ministry of Tourism – FUNGETUR ⁽²⁾	103,434	139,334
Ministry of Agriculture, Livestock and Supply – FUNCAFÉ ⁽²⁾	-	22,110
Total	494,546	605,074

(1) These are resources, managed by BRDE, destined for the production chain of audiovisual activity in Brazil.

(2) Resources made available by the competent Ministries, intended for financing operations related to the core activity.

14. OTHER LIABILITIES

	2023	2022
Interest on equity	278,817	-
Profit sharing and payable results	11,993	11,519
Guarantee fund honors	21,336	19,278
Counterparties	4,586	13,021
Client values to be regularized ⁽¹⁾	3,657	15,002
Pendencies to be regularized	613	151
Others	1,979	3,015
Total	322,981	61,986

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

15. PROVISION FOR FINANCIAL GUARANTEES GRANTED

The provision for financial guarantee operations granted by BRDE is calculated following the guidelines of CMN Resolution No. 2,682/99, according to which the percentage of the provision is defined by the risk level attributed to the operation, resulting from the application of methodologies developed by the institution.

On 12/31/2023, the guaranteed amount is R\$194,619 (2022 – R\$159,208) and the provision is R\$281 (2022 – R\$4,638). All financial guarantee operations granted have a real guarantee.

16. PROVISION FOR CONTINGENCIES

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

	12/31/2022	Constitution	Adjustment / Interest	Write-off by:		12/31/2023
				Reversal	Payment	
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 3.12, 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).

The civil provisions refer to the following facts:

- a. R\$ 56,629 (2022 – R\$ 52,404) refer to attorney's fees due to loss;
- b. R\$ 5,139 (2022 – R\$ 4,755) refer to lawsuits filed by debtors seeking compensation; and
- c. R\$ 8,383 (2022 – R\$ 2,101) refer to embargoes filed by a debtor against execution of default.

Of the total provision for civil lawsuits, the amount of R\$62,213 (2022 – R\$ 57,909) has been deposited for legal guarantee. Additionally, there are other civil actions classified as possible loss amounting to R\$6,434 (2022 – R\$3,164).

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).

17. INCOME TAX AND SOCIAL CONTRIBUTION

17.1 Income tax and social contribution

Demonstration of the calculation of IRPJ and CSLL in the period:

	2nd semester		Year	
	2023	2022	2023	2022
Net income before tax and profit sharing	271,283	409,002	721,113	802,432
Profit sharing	(3,262)	(1,042)	(17,568)	(16,850)
Net income before tax	268,021	407,960	703,545	785,582
Current rates	45%	45%	45%	45%
IRPJ and CSLL at current rates	(120,609)	(183,582)	(316,596)	(353,512)
Effects on tax calculation:				
Non-deductible expenses and non-taxable income	(45,021)	13,050	(46,804)	33,947
Interest on equity	125,467	-	125,467	-
Tax incentives	6,084	6,540	6,293	6,606
Other	2,769	3,686	(19)	(3,358)
Current IRPJ and CSLL	(31,310)	(160,306)	(231,659)	(316,317)
Deferred IRPJ and CSLL	39,919	(17,985)	45,364	(19,674)
Total IRPJ and CSLL recorded in the income statement	8,609	(178,292)	(186,295)	(335,991)

17.2 Deferred income tax and social contribution
a) Changes in deferred tax credits and debts

TAX CREDITS	12/31/2022	Constitution	Reversal	12/31/2023
Effect on net income	220,620	129,931	(64,486)	286,065
Written off credit operations	25,893	18,703	(8,215)	36,381
Provision for losses on credit operations	124,498	76,543	(36,758)	164,283
Provision for financial guarantees granted	2,087	772	(2,733)	126
Provision for contingencies	41,483	6,771	(3,062)	45,192
Provision for losses on other credits	1,630	11,788	(1,684)	11,734
Provision for losses from onlending operations	263	155	(210)	208
Provision for impairment of other assets	765	511	-	1,276
Provision for medical assistance	23,541	6,548	(3,411)	26,678
Provision for profit sharing	-	8,107	(8,107)	-
Paid leave on acquisition	154	33	-	187
Insufficient depreciation	306	-	(306)	-
Effect on equity	37,796	6,658	(15,132)	29,322
Provision for medical assistance	35,236	5,245	(12,756)	27,725
Adjustment to the market value of securities	1,393	339	(135)	1,597
Actuarial liability - PB II	1,167	1,074	(2,241)	-
Total	258,416	136,589	(79,618)	315,387
TAX DEBTS	12/31/2022	Constitution	Reversal	12/31/2023
Update of judicial deposits	19,441	2,085	-	21,526
Renegotiations taxed upon receipt	28,014	24,262	(7,957)	44,319
Judicial recovery – approval	1,314	2,317	(626)	3,005
Total	48,769	28,664	(8,583)	68,850

b) Expectation of realization of tax credits and debts

Year of realization	Tax credits			Tax debts		
	Current value	Present value	%	Valor atual	Current value	%
2023	99,198	92,369	31.45%	6,307	5,873	9.16%
2024	56,239	48,763	17.83%	28,968	25,117	42.07%
2025	40,391	32,610	12.81%	5,262	4,248	7.64%
2026	36,643	27,548	11.62%	5,292	3,979	7.70%
2027	22,764	15,935	7.22%	8,341	5,839	12.11%
2028 to 2032	60,152	34,941	19.07%	2,955	1,926	4.29%
after 2032	-	-	-	11,725	6,101	17.03%
Total	315,387	252,166		68,850	53,083	

c) Unrecognized deferred tax credits

Credits and liabilities were classified according to expected realization, with those tax credits expected to be realized over a period of more than 10 years, not recognized in the balance sheet as of December 31, totaling R\$ 63,129 (2022 – R\$ 71,228).

18. 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.

18.1 Characteristics of benefit plans**18.1.1 – 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 (CNPB) 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 CNPB 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.

18.1.2 – 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).

18.2 Net value of defined benefit liability (asset)

18.2.1 – 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

18.2.2 – 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.

18.2.3 – 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)

18.2.4 – 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	-

18.3 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

18.4 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	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
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%

18.5 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.

	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					
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

18.5.1 – 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%)

18.6 Future cash flows

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

	PB I		PB II		PAS	
	Occurred	Expected	Occurred	Expected	Occurred	Expected
	12-2023	12-2024	12-2023	12-2024	12-2023	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

18.6.2 – 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

19. 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

2023 there was a capital increase in the amounts of R\$ 122,832 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. The undistributed or capitalized portions of the results for the 2nd half of 2022 and the 1st half of 2023 were, respectively, R\$ 106,837 and R\$ 109,417.

c. Interest on equity

As provided for by Federal Law No. 9,249/95, BRDE calculated Interest on Equity in the year 2023 in the amount of R\$ 278,817, through the application of the accumulated TJLP on the equity position of the controlling States, excluding the effects of other comprehensive results. The calculation was approved on December 19, 2023 by the Board of Directors.

20. INCOME FROM SERVICES

	2nd semester		Year	
	2023	2022	2023	2022
Analysis fee	9,356	8,719	17,382	13,708
Inspection and monitoring fee	6,309	5,852	13,565	11,649
Registration fee	1,589	2,042	2,706	3,121
Early settlement fee	340	1,175	1,123	1,540
Fee for changing or structuring guarantees	818	228	1,226	414
Fee for preparing an opinion/report/technical study	578	198	1,321	793
Fee for providing financial guarantees	1,805	1,767	4,231	4,659
FSA administration compensation	5,832	3,136	6,883	7,695
Other fees	1,448	625	1,915	1,328
Total	28,075	23,742	50,352	44,907

21. OTHER OPERATING INCOME

	2nd semester		Year	
	2023	2022	2023	2022
Reversal of provision for guarantees granted	3,464	4,439	6,537	12,778
Reversal of provisions for labor claims	2,808	1,382	4,589	2,493
Reversal of provisions for civil claims	219	478	308	631
Reversal of other provisions	-	-	-	6,945
Update on judicial deposits	2,448	2,312	5,046	4,581
Partial sale of written off credit operations ⁽¹⁾	-	23,857	-	23,857
Others	1,859	1,478	3,128	3,558
Total	10,798	33,946	19,608	54,843

(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.

22. PERSONNEL EXPENSES

	2nd semester		Year	
	2023	2022	2023	2022
Salaries	70,769	64,901	135,407	124,134
Social charges	34,588	31,619	65,663	59,215
Benefits	10,320	9,826	19,922	14,553
Fees	3,931	3,425	6,804	6,573
Other expenses	1,998	1,674	3,716	3,022
Total	121,606	111,445	231,512	207,497

23. OTHER ADMINISTRATIVE EXPENSES

	2nd semester		Year	
	2023	2022	2023	2022
Rent, water and energy	1,787	1,690	3,617	3,601
Communications	801	765	1,602	1,446
Assets maintenance and conservation	2,114	2,379	4,237	4,555
Data processing	11,308	6,194	19,831	11,430
Promotions and public relations	3,276	2,234	4,810	2,965
Advertising	3,727	2,991	4,623	3,802
Financial system services	787	1,090	1,676	1,755
Third party services	1,912	1,531	3,596	2,581
Specialized technical services	4,139	2,611	6,640	4,787
Surveillance and security	640	612	1,239	1,131
Transport and travel	3,982	2,418	6,942	4,113
Judicial and notary fees	568	648	1,526	1,475
Statutory expenses	2,944	2,361	5,549	4,712
Tax incentives	5,961	6,495	6,060	6,580
Depreciation and amortization	4,650	4,575	9,285	9,038
Other administrative expenses	2,586	2,237	4,520	3,748
Total	51,182	40,831	85,753	67,719

24. TAX EXPENSES

	2nd semester		Year	
	2023	2022	2023	2022
PIS	3,786	3,761	7,541	7,209
COFINS	23,299	23,145	46,403	44,361
ISS	1,412	1,116	2,427	2,089
Others	1,435	1,595	4,213	3,013
Total	29,932	29,617	60,584	56,672

25. OTHER OPERATING EXPENSES

	2nd semester		Year	
	2023	2022	2023	2022
Obligations with financial and development funds	8,702	14,550	19,335	25,938
Guarantees honored for clients	-	2,315	-	5,042
Interest on actuarial liabilities	13,192	10,089	25,451	22,671
Write-off of receivables ⁽¹⁾	10,242	-	10,242	-
Other expenses	2,748	457	3,613	4,009
Total	34,884	27,411	58,641	57,660

(1) amounts received as equalization of interest on credit operations

26. NON-RECURRING RESULT

BRDE understands that a non-recurring result is one that is not related to the typical activities of the institution and is in some way not expected to occur with eventual frequency in future years.

	2023 ⁽¹⁾	2022
Result from recurring activities	517,250	428,744
Increase in the CSLL rate for financial institutions	-	(3,010)
Sale of written off credit portfolio (note 21)	-	23,857
Result from non-recurring activities	-	20,847
Net income	517,250	449,591

(1) In the 2023 financial year, there were no events treated as non-recurring.

27. 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.

The income and expenses incurred with ISBRE are presented below:

	2nd semester		Year	
	2023	2022 Restatement	2023	2022 restatement
Rent	(437)	(423)	(863)	(805)
Salary reimbursement	664	718	1,230	1,250
Employer contribution	(9,716)	(9,117)	(18,400)	(16,652)
Total	(9,489)	(8,822)	(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 da 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).

28. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

BRDE's risk management is developed in accordance with the provisions of Resolution 4,557/2017 of the National Monetary Council applicable to financial institutions classified in the S3 segment and with internal regulations based on objectives and policies established by the Board of Directors, as consolidated in the Declaration of Risk Appetite – BRDE RAS.

To achieve its strategic objectives, BRDE assumes risks of different types and natures inherent to banking practice and to this end defines acceptable levels of risks that it is willing to incur and maintains controls for their identification, measurement, evaluation, monitoring, reporting, control and mitigation, in addition to managing them through specific processes that emphasize integrity, effectiveness, prudence and public responsibility.

BRDE also has policies, plans, standards and procedures that guide risk management, providing a uniform and coherent normative basis that ensures a control structure compatible with the nature of its operations, with the complexity of its activities, processes and systems and with the dimension of its exposure to risk. Such processes are included in the risk management structure, coordinated by a specific area, separate from the business and support units, subordinate to the director responsible for risk management (CRO) and supervised by a specific internal committee linked to the Board of Directors and composed of members external to the institution.

The Central Bank of Brazil establishes that financial institutions have sufficient Reference Equity (PR) to cover the risks to which they are exposed, depending on the activities they carry out. Risk-weighted assets (RWA) are a measure of the minimum equity required by

financial institutions to face the risks associated with their activities. In the period reported, BRDE complied with the capital requirements set out in current legislation.

BRDE does not receive demand or savings deposits, nor does it have funds of a fiscal or parafiscal nature. In this way, its capital is composed exclusively of social capital and accumulated profit and capital reserves. BRDE also maintains a three-year capital contingency plan, identifying the actions to be considered in possible capital crisis scenarios, with the definition of the governance necessary to reestablish appropriate standards. Capital management procedures include monthly analysis by the risk management area and periodic assessment by the risk, management and audit committees, as well as by the Executive Board and Board of Directors. Constant monitoring of capital adequacy, through the aforementioned controls, aims to anticipate the possibility of contingency events occurring, enabling corrective and mitigating actions, in accordance with the Capital Contingency Plan.

29. REGULATORY CAPITAL AND CAPITAL REQUIREMENT

In accordance with the criteria established in CMN Resolutions No. 4,955 and 4,958/2021, and other complementary standards, we present the values of the Reference Equity, Risk-Weighted Assets and the Basel Index, as of December 31.

	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

30. SENSITIVITY ANALYSIS

In compliance with art. 35 of BCB Resolution No. 2/2020 we present 3 scenarios for sensitivity tests: one pessimistic and two optimistic scenarios. To define these scenarios, we consider the current situation of the economy, the demand for financing and the interest projection for 2024 and their effects on the main balance sheet items:

- ➔ Provision for expected losses related to credit risk: scenarios of changes considering the current economic scenario and the bank's default history.
- ➔ Income from financial intermediation: considers the relationship between the availability of funding and the demand for credit.
- ➔ Financial income: the scenarios were defined by maintaining the CDI yield or presenting a variation of 1 percentage point up or down;
- ➔ Provision for contingencies: possible increase given the uncertain times the economy is in;

- ➔ Tax assets: impact resulting from the movement occurring in the items and scenarios described above;

The following table presents the indicators used in each scenario and their effect on net income:

Scenario	Scenario 1	Scenario 2	Scenario 3
Item	Quality of the credit portfolio – changes in provision		
Assumption	Increase of 5%	Decrease of 5%	Increase of 10%
Effect on net income	(20,878)	20,878	(41,756)
Item	Gross income of financial intermediation		
Assumption	Decrease of 5%	Increase of 10%	Increase of 15%
Effect on net income	(55,101)	110,202	165,303
Item	Net financial income		
Assumption	CDI - 1% per year	CDI	CDI + 1% per year
Effect on net income	115,066	125,575	136,034
Item	Increase in the provision for contingencies		
Assumption	Decrease of 5%	Increase of 5%	Increase of 10%
Effect on net income	5,021	(5,021)	(10,043)
Item	Impact on tax assets		
Assumption	Increase of 5%	Decrease of 5%	Decrease of 10%
Effect on net income	10,474	(10,474)	(20,948)

31. OTHER INFORMATION

To implement the changes brought about by CMN Resolution No. 4,966/2021, BRDE created a specific internal governance for monitoring, planning and managing the necessary referrals, which include changes and adaptations that will be necessary within the scope of routines, processes and in the institution's computerized systems.

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

FABIANO MEASSI
Accountant – CRCRS – 70.237/O-6



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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN)

Independent auditor's report on 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 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 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 financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

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 financial statements section of our report. We are independent of the Bank 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 believe 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 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 financial statements section of our report, including in relation to these audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the 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 financial statements.

Loans and allowance for expected credit losses

As disclosed in Notes 7 and 9 to the financial statements, as of December 31, 2023, the gross balance of loans totals R\$17,733,229 thousand, for which allowance for expected losses of R\$417,556 thousand was set up. During the year, income from loans and reversals of allowance for expected losses were recognized in the amounts of R\$1,901,867 thousand and R\$154,056 thousand, respectively. The executive board exercises judgment for the purpose of determining the allowance for expected losses in accordance with Resolution No. 2682/99 of the National Monetary Council, in addition to considering the expected realization of the loan portfolio, and the minimum amount required by current regulations, based on past experience, current scenario and future prospects.

We consider this a key audit matter as a result of the following: (i) the materiality of the balance of loans subject to assessment of loss; (ii) the guarantees received for the loans granted, which could affect the level of the allowance to be considered; (iii) Brazil's economic scenario and that of the market for borrowers; (iv) executive board's judgment of the assigned ratings that determine the level of minimum individual allowance for each transaction, borrower or economic group; and (v) the process for recognizing interest income on loans.

How our audit addressed this matter

Our audit procedures included, among others, obtaining an understanding of the process established by the executive board, as well as the testing of controls related to the following: (i) origin of the transactions; (ii) analysis and approval of the loans considering the levels of authority established; (iii) assignment of rating levels by transaction, borrower or economic group; (iv) analysis of guarantees received; (v) timely updating of borrowers' information; (vi) recognition of interest income from transaction in normal course; and (vii) suspension of recognition of revenue on loans overdue for more than 59 days, among others. Our audit procedures also included carrying out, for a sample of loans, tests related to analysis of the documentation that substantiates the level of allowance determined for the sampled items, recalculation of the allowance for expected losses based on the assigned ratings and indicators of days in arrears, and sending balance confirmation letters directly to the selected borrowers, in addition to comparison of the total database with the respective accounting records.



In addition, we conducted an assessment of the prudential criteria established by the Bank's executive board to set up allowance for expected losses additional to the minimum established by CMN Resolution No. 2682/99, including analyses prepared by the Bank's executive board.

Based on the result of the audit procedures conducted, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board to determine and account for loans and allowance for expected credit losses, as well as the respective disclosures in Notes 7 and 9, are acceptable in the context of the financial statements taken as a whole.

Post-employment benefit plans

The Bank records actuarial liabilities related to post-employment benefit plans which, as mentioned in Note 18 to the 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 in the 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 18 to the 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\$315,387 thousand, as presented in Note No. 17 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 expected losses, 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 17 to the 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, as well as compliance with the requirements of the Central Bank of Brazil. 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 17, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statement of value added

The statement of value added (SVA) for the year ended December 31, 2023, prepared under the responsibility of the Company's executive board and presented as supplementary information for purposes of the Central Bank of Brazil, were submitted to audit procedures conducted jointly with the audit of the Bank's financial statements. To form our opinion, we evaluated if this statement is reconciled to the financial statements and accounting records, as applicable, and if its form and content comply with the criteria defined in Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement, and is consistent in relation to the financial statements taken as a whole.



Other information accompanying the financial statements and the auditor's report

The executive board is responsible for such other information, which comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 describe 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

A handwritten signature in blue ink, reading 'Renata Zanotta Calçada', is written in a cursive style.

Renata Zanotta Calçada
Accountant CRC - RS062793/O-8