

REPRESENTATION LETTER OF THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

BANCO PAULISTA S.A., enrolled in the CNPJ under number 61.820.817/0001-09, submit to the Central Bank of Brazil the financial statements and other documents listed below for publication in the Financial Statements Central of the National Financial System, in accordance with the Resolution BCB No. 2, dated August 12, 2020:

- Statements of financial position;
- Statement of profit or loss;
- Statements of changes in equity;
- Statements of cash flows; and
- Notes.

The financial statements will be published in the institution's website at www.bancopaulista.com.br, on March 28, 2023.

Statement of the Management's responsibility

We recognize our responsibility for the publication of the financial statements and other documents contained in this file. We met our responsibility for the preparation of the financial statements according to the accounting practices adopted in Brazil, applicable to financial institutions, in accordance with the National Monetary Council and the Central Bank of Brazil.

We inform that all transactions were recorded in the accounting books and are reflected in the financial statements, that significant assumptions used by us when performing such estimates are reasonable, and that all events after the end of the reporting period and to which adjustments or disclosure are required were adjusted or disclosed, considering that the effects of misstatements not corrected are immaterial, individually or in aggregate, to the financial statements as a whole.

We confirm that the financial statements and respective notes are, on this date, duly approved for disclosure purposes, for the concerning levels in the management, and were submitted to external audit. The report is integral part of this electronic remittance for disclosure on the Financial Statements Central.

São Paulo, March 27, 2023

Marcelo de Toledo Guimarães
Chief Executive Officer

Marcelo Chacon Ruiz
Director

Ana Cristina Alves Afonso
Chief Accountant

Banco Paulista S.A.

Financial statements and independent auditor's report

As of December 31, 2022



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MANAGEMENT REPORT

Dear Shareholders: We hereby submit the financial statements of Banco Paulista for the years ended December 31, 2022 and 2021, prepared in accordance with the standards established by the Central Bank of Brazil (BACEN) and the National Monetary Council (CMN).

Profit or Loss, Equity, Assets and Money Market Funding: Banco Paulista closed the year ended December 31, 2022 with a profit of R\$ 7.3 million and equity of R\$ 186.5 million. Assets totaled R\$ 1.9 billion, and were formed by R\$ 1.4 Billion of loans and R\$ 321.5 of Securities and Derivatives. Money market funding was R\$ 665.6 million.

Governance, Risk Management and Human Resources: Banco Paulista has a governance framework based on decision-making committees, in the functional specialization of the different areas and segregation of duties.

Circular Letter 3.068/01 - BACEN: Banco Paulista hereby represents that it has financial capacity and intention to hold to maturity the securities classified in the "Held to maturity" category in the amount of R\$ 236.3 million, accounting for only 70.84% of the total securities and derivative financial instruments.

Banco Paulista has been adopting a set of actions to protect the institution which have already contributed to disseminate and promote measures and good management practices for the corporate environment integrity, ethics, and transparency.

Banco Paulista's Management's commitment goes beyond meeting the requirements in prevailing legislation; rather, Management's objective is to position the Bank among the companies having the best transparency practices, which includes a commitment to communicate relevant, timely and fair information to the market.

Acknowledgements: We would like to thank our clients for trusting Banco Paulista and to our employees for their continued hard work and dedication.

São Paulo, March 24, 2023

The Management

EXECUTIVE BOARD REPRESENTATION

SECURITIES

As required by BACEN Circular Letter 3.068/01, the Executive Board herein represents that BANCO PAULISTA S.A. has the intent to hold to maturity the securities classified under the “held-to-maturity” category, in the amount of R\$ 47,618 thousand (R\$ 166,456 thousand in 2021), as shown in Note 6.

The Executive Board also represents herein that BANCO PAULISTA S.A. has financial capacity to hold such securities to their respective maturity dates.

FINANCIAL STATEMENTS

The Executive Board herein represents that they reviewed, discussed and agree with the opinion expressed in the independent auditor’s report and, also, reviewed, discussed and agree with the financial statements of BANCO PAULISTA S.A. for the year ended December 31, 2022, and authorized them for issue on March 24, 2023.

BANK’S OMBUDSMAN

BANCO PAULISTA S.A.’s ombudsman structure is in conformity with CMN Resolution 4.860/2020, as it provides its clients with channels to access the Ombudsman and discloses them through its bank correspondents, the Internet, and communication materials. The Bank’s Ombudsman acts as a prime client relations tool and it is in strict compliance with legal and regulatory consumer protection rules.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In the year ended December 31, 2022, BANCO PAULISTA did not engage nor was provided services by Grant Thornton Auditores Independentes that compromise or may compromise the independence necessary to the performance of the external audit of the financial statements. The policy adopted complies with the principles that sustain the auditor’s independence, in accordance with internationally accepted standards, which mainly determine that the auditor should not audit its own work, perform managerial duties for its clients or pursue its own interests.

ACKNOWLEDGEMENTS

We would like to thank our clients for trusting Banco Paulista and to our employees for their continued hard work and dedication.

São Paulo, March 24, 2023

Banco Paulista S.A.

Marcelo de Toledo Guimarães
Chief Executive Officer

Marcelo Chacon Ruiz
Director

Independent auditor's report on the financial statements

**Grant Thornton Auditores
Independentes Ltda.**

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To the Management and Shareholders of
Banco Paulista S.A.
São Paulo – SP

Opinion

We have audited the financial statements of Banco Paulista S.A. ("Bank"), which comprise the statement of financial position as of December 31, 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the semester and year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, in all material respects, the financial position of Banco Paulista S.A. as of December 31, 2022, and its financial performance and cash flows for the semester and year then ended, in accordance with practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs).

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 requirements set forth in the Code of Ethics for Professional Accountants, and the professional standards issued by the Federal Accounting Council, 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

Emphasis of matter

Ongoing processes

We draw attention to Notes No 34.d and No 39, regarding the fact that in the semester and year ended December 31, 2022, there were administrative processes ongoing under Central Bank of Brazil (BACEN) and the Federal Revenue (RFB), arising from the unfolding of 61st and 74th phases of the Operation Car Wash. After the base of these financial statements, the referred processes had unfolding, the Bank executed a commitment term with the Central Bank of Brazil (BACEN) reaffirming its improvement action in its procedures of prevention to money laundry and to terrorism financing (PLD/FT). Additionally, the Bank registered its intention to adhere the Programa de Redução de Litigiosidade Fiscal (PRLF) of the Federal Revenue ("RFB"). Our opinion is not qualified regarding these matters.

Transactions with related parties

As mentioned in Note No 31, in the semester ended December 31, 2022, the Bank performed transactions on assignment of receivables without recourse with the Paulista - Companhia Securitizadora de Créditos Financeiros S.A. and with BPD Fundo de Investimentos em Direitos Creditórios Consignados, related parties, in the amount of R\$ 13,500 thousand, which accounts for 7.23% of its Equity. Our opinion is not qualified regarding this matter.

Other matters

Audit of figures corresponding to June 30, 2022

The Bank's financial statements for the semester and year ended June 30, 2022 were audited by us, whose report thereon, dated August 26, 2022, contained a qualified opinion regarding the following matters: **(i)** absence of support documentation to confirm tax credits in the amount of R\$ 1,233 thousand; **(ii)** limitation of adjustments to equity evaluation; and **(iii)** Limitation on the absence of financial statements of investments in units of the funds Fundos Siller Fundo de Investimento em Direitos Creditórios - Não Padronizados and Structure Fundo de Investimento em Direitos Creditórios; and emphasis on processes and courses and operations with related parties.

Audit of figures corresponding to December 31, 2021

The Bank's financial statements for the semester and year ended December 31, 2021 were audited by us whose report thereon, dated March 18, 2022, contained a disclaimer of opinion regarding the following matters: **(i)** Investigations of the Federal Prosecution Office and the Federal Revenue of Brazil; **(ii)** Deferral of Assignment of Receivables Operation unduly recognized in the statement of the semester then ended; **(iii)** Lack of supporting documentation to confirm tax credits in the amount of R\$ 1,949 thousand; and **(iv)** adjustments to Equity Valuation unduly recognized in the statement of the semester then ended; paragraph Uncertainty on the Ability to Continue as a Going Concern, and emphasis on dismissal of civil investigation, operations with related parties, and investment in equity fund units.

Information other than the financial statements and auditor's report thereon

The Bank's Management is responsible for this other information that is included in 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 works performed, we conclude that there is a material misstatement in the Management Report, we are required to disclose this fact. We have nothing to report in this regard.

Responsibility of the management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN) and for such internal control as Management 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 Management is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless management either intends to liquidate the Institution and its subsidiaries, or cease operations, or has no realistic alternative to avoid doing so.

Those charged with governance of the Institution and its subsidiaries are those individuals responsible for overseeing the Institution's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, taken 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.

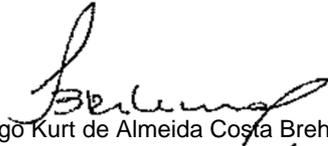
As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 for one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions, or misrepresentations;
- Obtain an understanding of the internal controls 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 Bank's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of Management'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 modify our opinion, in case such disclosures are found to be inadequate. 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; and
- Evaluate 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 may have identified during our audit.

São Paulo, March 24, 2023

Grant Thornton Auditores Independentes Ltda.
CRC 2SP-025.583/O-1



Thiago Kurt de Almeida Costa Brehmer
Accountant CRC 1SP-260,164/Ó-4

BANCO PAULISTA S.A.
Statements of financial position
As of December 31, 2022 and 2021
(In thousands of reais)

	Notes	2022	2021		Notes	2022	2021
Assets				Liabilities			
Current		901,826	730,577	Current		1,066,725	667,682
Cash and cash equivalents		1,568	1,811	Deposits and other financial instruments		1,026,633	653,102
Cash assets	4	1,568	1,811	Deposits	15	818,046	472,069
Financial Instruments		878,974	723,461	Money market funding - own portfolio	16	7,657	55,045
Short-term interbank investments	4/5a	65,010	119,998	Funds from acceptances and issuance of securities	17	191,264	118,044
Investments in interbank deposits	5b	18,032	3,013	Payables due to borrowings and onlendings	17	9,192	7,432
Securities	6	130,449	105,636	Interbranch and interbank accounts	10	474	512
Derivative financial instruments	7	40	910	Provisions		4,424	4,057
Interbank accounts	10	1,462	17,815	Accrued liabilities	18	4,424	4,057
Lending operations - private sector	8	252,214	260,693	Other liabilities		35,668	10,523
Trade and other receivables with characteristics of loans	8	401,577	211,303	Taxes payable		120	485
Trading account		-	1,423	Taxes and social security	19a	14,277	8,620
Trade and other receivables without characteristics of loans	9	10,190	2,670	Corporate and statutory		4,900	300
Allowance for expected credit losses		(5,361)	(4,013)	Sundry	19b	16,371	1,118
(-) Lending operations	8	(3,358)	(3,022)	Noncurrent		730,667	775,925
(-) Trade and other receivables with characteristics of loans	8	(1,912)	(965)	Deposits and other financial instruments		692,992	757,278
(-) Trade and other receivables without characteristics of loans	9	(91)	(26)	Deposits	15	577,856	647,708
Other assets		26,645	9,318	Funds from acceptances and issuance of securities	17	87,713	109,570
Prepaid expenses		-	5	Subordinated debt	17	27,423	-
Non-financial assets held for sale - received	11	3,381	3,381	Provisions		7,034	4,909
Sundry	12	23,264	5,932	Financial guarantees	33	80	1,002
Noncurrent		1,082,099	898,615	Contingent liabilities	34b	6,954	3,907
Financial Instruments		991,727	817,385	Other liabilities		30,641	13,738
Securities	6	190,991	393,733	Taxes and social security	19a	-	13,738
Lending operations - private sector	8	730,061	369,366	Sundry	19b	30,641	-
Trade and other receivables with characteristics of loans	8	6,486	8,045	Equity	20	186,533	185,585
Trade and other receivables without characteristics of loans	9	64,189	46,241	Share capital - in Brazil		184,300	184,300
Allowance for expected credit losses		(10,394)	(4,764)	Earnings reserves		5,158	2,790
(-) Lending operations	8	(9,721)	(4,280)	Adjustment to fair value - securities and derivatives		(2,925)	(1,505)
(-) Trade and other receivables with characteristics of loans	8	(31)	(37)				
(-) Trade and other receivables without characteristics of loans	9	(642)	(447)				
Tax credits	30b	31,772	31,484				
Other assets		65,064	48,532				
Sundry	12	65,064	48,532				
Investments	13	1,752	1,461				
Other investments		1,752	1,713				
(-) Allowances for losses		-	(252)				
Property and equipment		1,102	1,099				
Properties on use		957	957				
Other property and equipment in use		5,286	5,148				
(-) Accumulated depreciation		(5,141)	(5,006)				
Intangible Assets	14	1,076	3,418				
Intangible assets		6,124	7,831				
(-) Accumulated amortization		(5,048)	(4,413)				
Total of assets		1,983,925	1,629,192	Total liabilities		1,983,925	1,629,192

The accompanying notes are an integral part of these financial statements.

BANCO PAULISTA S.A.

Statements of profit or loss

Six-month period ended December 31, 2022 and years ended December 31, 2022 and 2021

(In thousands of reais)

	Notes	2 nd semester	2022	2021
Revenue from financial intermediation		136,211	250,419	115,913
Lending operations	8h	97,398	170,310	71,276
Gain on short-term interbank investments and securities	5/6	38,349	80,361	45,424
Gain (loss) on derivative financial instruments	7d	463	(200)	(841)
Gain (loss) on foreign exchange transactions		1	(52)	54
Expenses on financial intermediation		(102,261)	(181,193)	(71,295)
Money market funding	21	(97,741)	(174,405)	(70,319)
Allowance for expected credit losses	8e	(4,520)	(6,788)	(976)
Gross profit from financial intermediation		33,950	69,226	44,618
Other operating income (expenses)		(26,880)	(54,148)	(39,117)
Service revenue	22	1,083	2,765	3,844
Income from banking fees	22	23,419	42,265	33,521
Personnel expenses	23	(25,500)	(48,668)	(41,347)
Administrative expenses	24	(29,107)	(54,473)	(36,440)
Tax expenses	25	(6,591)	(11,804)	(8,871)
Expenses on provisions	26	(1,628)	(714)	(1,300)
Other operating income	27	26,577	38,294	28,605
Other operating expenses	28	(15,133)	(21,813)	(17,129)
Operating profit or loss		7,070	15,078	5,501
Non-operating profit (loss)	29	(1,541)	(1,188)	5,317
Profit before taxes on income and profit sharing		5,529	13,890	10,818
Income tax and social contribution	30	(401)	(5,605)	(4,148)
Provision for income tax		(974)	(2,532)	8
Provision for social contribution		(913)	(2,199)	(18)
Deferred tax assets		1,486	(874)	(4,138)
Statutory profit sharing		(507)	(1,017)	(667)
Profit for the six-month period/years		4,621	7,268	6,003
Earnings per one thousand shares - R\$		10.89	17.12	14.14

The accompanying notes are an integral part of these financial statements.

BANCO PAULISTA S.A.

Statements of comprehensive income (loss)

Six-month period ended December 31, 2022 and years ended December 31, 2022 and 2021

(In thousands of reais)

	<u>2nd semester</u>	<u>2022</u>	<u>2021</u>
Profit (loss) for the six-month period and years	4,621	7,268	6,003
Other comprehensive income	(1,650)	(1,420)	(1,678)
Available-for-sale financial instruments	(3,000)	(2,581)	(3,052)
Income tax and social contribution	1,350	1,161	1,374
Profit (loss) for the six-month period and years	<u>2,971</u>	<u>5,848</u>	<u>4,325</u>

The accompanying notes are an integral part of these financial statements.

BANCO PAULISTA S.A.

Statements of changes in equity

Six-month period ended December 31, 2022 and years ended December 31, 2022 and 2021

(In thousands of reais)

	Share Capital	Earnings reserve		Adjustment to market value	Profit Retained	TOTAL
		Legal Reserve	Statutory Reserve			
Balances at December 31, 2020	184,300	-	-	173	(1,213)	183,260
Net profit for the year	-	-	-	-	6,003	6,003
Legal Reserve	-	240	-	-	(240)	-
Statutory reserve	-	-	2,550	-	(2,550)	-
Interest on the Stockholders' Equity	-	-	-	-	(2,000)	(2,000)
MtM adjustment - securities and derivatives	-	-	-	(1,678)	-	(1,678)
Balances at December 31, 2021	184,300	240	2,550	(1,505)	-	185,585
Changes in the year	-	240	2,550	(1,678)	1,213	2,325
Balances at December 31, 2021	184,300	240	2,550	(1,505)	-	185,585
Net profit for the year	-	-	-	-	7,268	7,268
Legal Reserve	-	363	-	-	(363)	-
Statutory reserve	-	-	6,905	-	(6,905)	-
Interest on the Stockholders' Equity	-	-	(4,900)	-	-	(4,900)
MtM adjustment - securities and derivatives	-	-	-	(1,420)	-	(1,420)
Balances at December 31, 2022	184,300	603	4,555	(2,925)	-	186,533
Changes in the year	-	363	2,005	(1,420)	-	948
Balances at June 30, 2022	184,300	372	5,065	(1,275)	-	188,462
Net profit for the semester	-	-	-	-	4,621	4,621
Legal Reserve	-	231	-	-	(231)	-
Statutory reserve	-	-	4,390	-	(4,390)	-
Interest on the Stockholders' Equity	-	-	(4,900)	-	-	(4,900)
MtM adjustment - securities and derivatives	-	-	-	(1,650)	-	(1,650)
Balances at December 31, 2022	184,300	603	4,555	(2,925)	-	186,533
Changes in the semester	-	231	(510)	(1,650)	-	(1,929)

The accompanying notes are an integral part of these financial statements.

BANCO PAULISTA S.A.

Statements of cash flows - Indirect method

Six-month period ended December 31, 2022 and years ended December 31, 2022 and 2021

(In thousands of reais)

	2 nd semester	2022	2021
Adjusted net profit (loss) for the six-month period and years	121,278	210,524	93,245
Net profit (loss) for the six-month period and years	4,621	7,268	6,003
Adjustments to reconcile profit to net cash	116,657	203,256	87,242
Allowance for expected credit losses (Note 8e)	4,520	6,788	976
Provisions for deferred income tax and social contribution	(1,486)	874	4,138
Depreciation and amortization (Note 28)	451	943	935
Inflation adjustment of judicial deposits	(214)	(372)	(123)
Reversal of provision for civil, tax and labor risks	(534)	(2,170)	(117)
Reversals of judicial deposits	-	-	234
Provision for risks	4,151	5,433	1,943
Provisions for guarantees	-	136	173
Provisions for tax assessment notice - Federal Revenue Service (Note 19a)	678	1,460	1,798
Provisions for income tax and social contribution	1,887	4,731	10
Borrowing costs	97,741	174,405	70,319
Expenses on payroll loans - INSS/FGTS	10,055	11,961	6,291
MtM adjustment - securities	1,058	487	665
Adjustment to fair value - securities and derivatives	(1,650)	(1,420)	-
Changes in assets and liabilities			
Decrease in investments in interbank deposits	(15,004)	(15,020)	4
Decrease (increase) in securities	126,885	177,442	(52,292)
Decrease in interbranch and interbank accounts	19,126	16,315	112
(Increase) decrease in lending operations	(234,946)	(353,227)	(101,575)
(Increase) in other assets	(42,674)	(45,447)	(9,047)
(Increase) decrease in trading account and financial intermediation	21	1,423	(746)
Decrease (increase) in derivative financial instruments	69	870	(2,871)
(Increase) in tax credits	(1,350)	(1,162)	(1,372)
(Increase) in trade and other receivables	(292,141)	(212,982)	(151,054)
Increase in deposits	219,414	143,096	245,448
(Decrease) in money market funding	(29,766)	(53,467)	(34,086)
Increase of other liabilities	43,603	45,529	1,399
(Decrease) in tax and social security obligations	(6,956)	(14,272)	(9,298)
(Decrease) increase in tax and social security obligations	4,900	4,600	300
(Decrease) increase in provisions	(1,653)	(907)	(718)
Net cash (invested) on operating activities	(89,194)	(96,685)	(22,551)
Cash flows from investing activities			
Acquisition of property and equipment in use	(285)	(315)	(57)
Investments in intangible assets	(181)	(202)	(163)
Intangible assets disposed of	1,909	1,909	1,613
Fixed assets disposed of	4	4	-
Investments	(291)	(291)	1,545
Net cash provided by investing activities	1,156	1,105	2,938
Cash flow from financing activities			
Interest on the Stockholders' Equity	(4,900)	(4,900)	(2,000)
(Decrease) in borrowings and onlending	1,765	1,760	731
Increase in funds from acceptances and issuance of securities	8,611	16,066	49,537
Increase in subordinated debt	2,518	27,423	(32,054)
Net cash provided by financing activities	7,994	40,349	16,214
(Decrease) increase in cash and cash equivalents	(80,044)	(55,231)	(3,399)
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the six-month period and years (Note 4)	146,622	121,809	125,208
Cash and cash equivalents at the end of six-month period and years (Note 4)	66,578	66,578	121,809
	(80,044)	(55,231)	(3,399)

The accompanying notes are an integral part of these financial statements.

Banco Paulista S.A.

Notes to the financial statements
As of December 31, 2022 and 2021
(In thousands of reais)

1. General Information

Banco Paulista S.A. (Bank) is a privately held corporation controlled by Mr. Alvaro Augusto Vidigal and established as a multipurpose bank, primarily engaged in granting loans to medium- and large-sized entities, providing services and structuring operations for sale and distribution.

During 2021, the Bank continued its activities of Real Estate Collateral Credit and started automatic-paycheck-deduction loans (INSS/SIAPE) and, in 2022, started the anticipation of FGTS birthday withdrawal.

Impact of Covid-19 on the financial statements

Following the recommendations provided by government and, mainly, by health authorities, the Bank has been adopting measures to help stop the Covid-19 spread.

The institution has intensified the communication to raise employees' awareness and has adopted administrative actions, such as, for example, adopt flextime, work-from-home model, and virtual meetings.

Management did not identify significant changes in its business process since it continues to operate normally.

To date, the Bank has not recorded peak default levels on its lending portfolio, and fundraising continues to grow, with provides an excellent liquidity level, which could be seen through the date these financial statements were issued.

Management continues to monitor any new developments arising from the pandemic and take actions on a timely basis to mitigate its effects.

2. Basis of presentation and preparation of the financial statements

- a) The financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by Brazil Central Bank (BACEN), which take into consideration the provisions contained in the Business Corporation Act, in addition to the standards of the National Monetary Council (CMN), and the Central Bank of Brazil. The preparation of these financial statements considers the provisions of Resolution BCB No. 2, issued on August 12, 2020. The main purpose of these standards is to bring similarity with the guidelines of presentation of the financial statements, in accordance with the International Financial Reporting Standards (IFRS).

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Accounting estimates are determined by Management, based on factors and assumptions established in reliance upon judgments. Significant items subject to these estimates and assumption include the provisions for adjustment of assets to the probable realizable or recoverable amount, allowances for losses, provisions for risks, mark-to-market of financial instruments, deferred taxes, among others.

The settlement of these transactions involving estimates may result in different amounts due to inaccuracies inherent in the estimation process. Estimates are revised on a periodic basis.

Management hereby represents that the disclosures made in the financial statements evidence all relevant information used in managing the Bank and that the accounting practices were applied consistently to all reporting periods.

In the process of convergence to the International Financial Reporting Standards, the Bank adopts technical pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee (CPC), as ratified by CMN and BACEN as of their effective date.

The financial statements were approved on March 24, 2023.

- b) The financial statements are presented in Brazilian reais, which is the Bank's functional currency. All financial information presented in reais were converted into thousands of reais, unless otherwise stated.

3. Summary of significant accounting policies

- a) Recognition of profit or loss

Finance income and costs are recorded on the accrual basis, on a daily pro rata basis. Fees and commissions received are recognized during the period services are provided (accrual basis).

Finance income and finance costs are calculated under the exponential method. Fixed-rate transactions are stated at redemption value and income and expenses for the future period are stated as a reduction of related assets and liabilities. Floating rate transactions are adjusted for inflation through the statement of financial position date based on the agreed-upon indexes. Fees and commissions on transactions with third parties, such as brokerage, are recognized when the service or transaction is performed.

- b) Cash and cash equivalents

Under Resolution 3.064/08, cash and cash equivalents include cash, bank deposits, highly liquid short-term investments, subject to an insignificant risk of change in value and limits, with maturity equal to or less than 90 days.

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c) Financial Instruments

Short-term interbank investments

Fixed rate transactions are recorded at their redeemable amount less income allocated to future periods, and floating rate transactions are recorded at cost plus income earned through the statement of financial position date, less impairment allowance, when applicable.

Investments in transactions under repurchase agreements are classified according to their maturity, regardless of the maturity terms of the papers backing the transactions.

Securities and derivative financial instruments

As established by BACEN Circular 3.068/01, portfolio securities are classified into three different categories, according to Management's intention, as follows:

Trading securities: stated in current assets, regardless of the related maturity dates, and comprise the securities acquired to be actively and frequently traded. They are stated at fair value and any gains or losses are recorded in profit or loss.

Available-for-sale securities: securities that were not acquired to be frequently traded and are used, among other purposes, for liquidity reserve, collaterals and hedge against risks. The income earned, at the acquisition rates, and possible impairment losses are recorded in profit or loss. These securities are stated at fair value and any gains or losses are recorded as a balancing item to a separate equity account (net of taxes) which will be transferred to profit or loss when realized.

Held-to-maturity securities: refer to acquired securities that Management has the intent and financial capacity to hold in portfolio up to their maturity. They are stated at acquisition cost, plus accrued earnings. Impairment losses, if any, are immediately charged to profit or loss. Derivative financial instruments consisting of futures, forward and swap transactions are accounted for under the following criteria:

- *Futures* – mark-to-market amounts are recorded on a daily basis in assets or liabilities and allocated either as income or expenses on a daily basis;
- *Forward transactions* - recorded at the final contract amount, less the difference between this amount and the fair value of the asset or right, with income and expenses recorded over the term of the contract through the statement of financial position date.

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- *Swap transactions* - the difference receivable or payable is accounted for at fair value in assets or liabilities, respectively, and recognized as income or expenses on a daily pro rata basis through the statement of financial position date.

Derivative transactions, not eligible for hedge accounting, are stated at fair value at the statement of financial position date, and the related appreciation or depreciation is accounted for as income or expenses in profit or loss for the period.

Lending operations and allowance for expected credit losses

Lending operations (borrowing and financing) and other receivables (receivables without recourse) are recorded at present value calculated on a daily pro rata basis, according to the variation of the index and agreed-upon interest rate, adjusted through the 60th day of arrears, considering the expected collection.

Lending operations are classified according to Management's risk assessment, considering the economic conditions, past experience and specific risks related to the operation, debtors and guarantors, according to the parameters set forth by BACEN Resolution 2.682/99, which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss).

Income from lending operations with maturity equal or above 60 days, regardless of their risk level, is only recognized as revenue when actually received.

H-rated loans remain under this rating for 180 days, when they are written off against the existing allowance and controlled for a minimum of five years in a memorandum account, no longer appearing on the statement of financial position.

Restructured lending operations remain at least in the same rating in which they were originally classified. Renegotiated loans that had been written off against the allowance and were maintained in memorandum accounts are rated as "H", and possible recoveries are only recognized as income when received.

For transactions with a term longer than 36 months, the Bank use double counting of the term, as permitted by Resolution 2.682/99 to determine the risk level. The allowance for expected credit losses, considered sufficient by the Management, is compliant with Resolution 2.682/99, as shown in Note 8.

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Trading account

Represents the intermediation of transactions carried out on stock exchanges, recognized at the amount of the commitments assumed, on behalf of customers.

Brokerage is recognized on profit or loss on an accrual basis.

Deposits, money market funding, funds from acceptances and issuance of securities, and payables due to onlendings and borrowings

Stated at the original amounts, plus charges incurred through the statement of financial position date, recognized on a daily pro rata basis. Foreign currency liabilities are adjusted at the exchange rates prevailing on the statement of financial position date. Money market funding is recorded in current liabilities according to the respective maturity terms, regardless of the maturity of the papers backing the transactions.

d) Investments

Investments are recognized at acquisition cost, less allowance for losses, where applicable.

e) Property and equipment and intangible assets

Represents the rights acquired in tangible and intangible assets for the maintenance of the Company's activities or exercised for such purpose.

Property and equipment items (tangible assets) are stated at acquisition cost. Depreciation of property and equipment is calculated on a straight-line basis at the following rates: 20% p.a. for vehicles and data processing system and 10% p.a. for other assets.

Intangible assets correspond to rights acquired in intangible assets for the maintenance of the Company's activities or exercised for such purpose. Recorded at acquisition cost, less accumulated amortization. Intangible assets with finite useful life are amortized based on its effective use or a method that reflects its economic benefits; intangible assets with indeterminate useful life are annually tested for impairment.

f) Impairment of non-financial assets

The accounting recognition of an asset should evidence events or changes in economic, operating or technological circumstances that might indicate that an asset is impaired. Whenever evidence is identified and the net carrying amount exceeds the recoverable value, an allowance for impairment losses is recognized to adjust the carrying amount to the recoverable value. These allowances are recognized in profit or loss for the period/year, as provided for in CMN Resolution 3.566/08.

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Except for tax credits, whose realization is assessed semiannually, the amounts of non-financial assets are tested for impairment at least annually.

g) Current and Deferred Income Tax and Social Contribution

Current

The provisions for income tax (IRPJ) and social contribution (CSLL), as applicable, are calculated based on the book profit or loss adjusted by temporary and permanent additions or deductions. Income tax is calculated at a 15% rate, plus a 10% surtax on taxable income exceeding R\$ 240 in the year (R\$ 120 in the six-month period).

Social contribution must comply with the following rates:

- Until June/2021 - 20% (Law 7689 - Article 3);
- From July/2021 to December/2021 - 25% (Law 14,183);
- From January/2022 to December/2022 - 20%;
- From August/2022 to December/2022 - 21% (Decree 1,115);
- January 2023 onwards - 20%.

Deferred

Deferred taxes are calculated on temporary additions, exclusions, and taxable income to be realized when the recognition bases are used and/or reversed based on the expected realization periods and considering technical studies and Management's analyses.

h) Contingent assets and contingent liabilities, and legal, tax and social security obligations

Contingent assets and contingent liabilities, and legal obligations are recognized, measured, and disclosed in accordance with the criteria set forth in Resolution 3.823/09 and CPC 25, issued by the Accounting Pronouncements Committee (CPC), based on the following criteria:

Contingent assets - are not recognized in the financial statements, except when there is evidence that they will materialize and when they are no longer subject to appeals.

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Contingent liabilities - are recognized in the financial statements when, based on the opinion of the legal counsel and Management, the risk of loss in a lawsuit or administrative proceeding is assessed as probable, with a probable disbursement of resources to settle the obligations, and when the relevant amounts can be reliably measured. Contingent liabilities assessed by the legal counsel as possible loss are disclosed in the notes to the financial statements whereas those assessed as remote loss are neither accrued nor disclosed.

Legal obligations (tax and social security) - refer to lawsuits challenging the legality and constitutionality of certain taxes (or fees and contributions). The amount under litigation is quantified, recognized, and adjusted on a monthly basis.

i) Other current and noncurrent assets and liabilities

Stated at their realizable or settlement amounts and include income, charges, inflation adjustments, or exchange rate changes earned and/or incurred through the reporting date, calculated on a daily pro rata basis, and, when applicable, less allowance for losses to reflect their realizable value. Receivables and payables due within 12 months are classified in current assets and current liabilities, respectively.

j) Earnings (loss) per share

Earnings (loss) per share are calculated based on the number of shares outstanding at the statement of financial position date.

k) Recurring and nonrecurring profit or loss

Article 34 of BCB Resolution 2, of August 12, 2020, requires the disclosure of recurring and nonrecurring profit or loss separately. Nonrecurring profit or loss for the year is defined as: I – the one that is not related or is incidentally related to the institutions' core activities; and II – the one that is not expected to occur frequently in future years.

The nature and financial effect of events considered nonrecurring are disclosed in Note 37.

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4. Cash and cash equivalents

As of December 31, 2022 and 2021, cash and cash equivalents were broken down as follows:

	<u>2022</u>	<u>2021</u>
Cash in local currency	968	1,186
Cash in foreign currency	600	625
Money market investments (Note 5a)	65,010	119,998
Cash and cash equivalents	<u>66,578</u>	<u>121,809</u>

5. Short-term interbank investments

a) Money market investments

	<u>2022</u>		<u>2021</u>
	<u>1 to 30 days</u>	<u>Total</u>	<u>Total</u>
Money market investments			
Own portfolio:	<u>65,010</u>	<u>65,010</u>	<u>119,998</u>
Financial Treasury Bills (LFT)	-	-	30,001
National Treasury Notes (NTN)	65,010	65,010	89,997
Total	<u>65,010</u>	<u>65,010</u>	<u>119,998</u>

In the year ended December 31, 2022, the result on transactions under repurchase agreements was R\$ 14,879 (R\$ 6,067 in 2021).

b) Investments in interbank deposits

	<u>2022</u>	<u>2021</u>
Up to 90 days	18,032	3013
Total	<u>18032</u>	<u>3013</u>

In the year ended December 31, 2022, income from interbank deposits was R\$ 1,315 (R\$ 643 in 2021).

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6. Securities

a) Securities - Breakdown by classification

	2022		2021	
	Cost (i)	Carrying amount (ii)	Cost (i)	Carrying amount (ii)
Trading securities				
Own portfolio – trading	45,909	46,127	52,222	51,966
Financial Treasury Bills (LFT)	40,084	40,090	402	402
National Treasury Notes (NTN)	-	-	41,076	40,839
Agricultural Debt Securities – TDA	1	1	2	2
Units in Investment Funds - CFI (iii)	4,511	4,511	9,813	9,813
Debentures	783	995	-	-
Shares of listed companies	63	63	53	53
Certificates of Real Estate Receivables (“CRIs”)	467	467	876	857
Total trading securities	45,909	46,127	52,222	51,966
Available-for-sale securities				
Own portfolio – trading	223,708	215,666	188,627	184,439
Financial Treasury Bills (LFT)	22,179	22,204	15,995	16,002
National Treasury Notes (NTN)	120,636	112,570	115,589	111,444
Agricultural Debt Securities – TDA	4	3	5	4
Units in Investment Funds - CFI (iii)	80,889	80,889	40,742	40,742
Certificates of Real Estate Receivables (“CRIs”)	-	-	16,296	16,247
Linked to repurchase agreements	8,333	7,776	57,645	55,795
Financial Treasury Bills (LFT)	-	-	6,016	6,018
National Treasury Notes (NTN)	8,333	7,776	51,629	49,777
Linked to guarantees given (iv)	4,249	4,253	40,722	40,713
Financial Treasury Bills (LFT)	4,249	4,253	28,303	28,294
Units in Investment Funds - CFI (iii)	-	-	12,419	12,419
Total available-for-sale securities	236,290	227,695	286,994	280,947
Held-to-maturity securities				
Own portfolio – trading	47,618	47,618	166,456	166,456
Units in Receivables Funds - FIDC (iii)	47,618	47,618	166,456	166,456
Total held-to-maturity securities	47,618	47,618	166,456	166,456
Total	329,817	321,440	505,672	499,369

(i) Cost value

For fixed income securities, which refers to acquisition cost plus income earned through the statement of financial position date; for shares, the acquisition cost is considered. Units in Investment Funds and Units in Receivables Funds refer to the cost adjusted to UP which is provided by their respective fund administrators.

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(ii) Market value

The market value of public securities is determined according to disclosures made in daily bulletins provided by ANBIMA - Brazilian Financial and Capital Markets Association. Shares and debentures are valued based on the closing price of the last day they were traded on stock exchange. Private securities are recorded at cost plus daily income earned and adjusted to market value. The units in investment funds are adjusted based on the unit price disclosed by the fund administrator.

(iii) Investments in investment fund units:

	<u>FUNDS</u>	<u>2022</u>	<u>2021</u>
FIP	Industrial Parks Brasil FIP Multiestratégia (A)	1,548	3,044
FIDC	Esmeralda - Fundo de Investimento em Direitos Creditórios	2,963	3,246
FIDC	Fundo de Investimento em Direitos Creditórios Credz	-	3,523
	Total Funds Invested for trading	4,511	9,813
FIC FIM	Supra Mid Fundo de Investimento em Cotas de Fundos de Investimento Multimercado - Crédito Privado (B)	10,195	16,761
FIC FIM	Paulista Consignado Fundo de Investimento em Cotas de Fundos de Investimento Multimercado Crédito Privado (C)	68,339	17,546
FIC FIM	Paulista Consignado II Fundo de Investimento em Cotas de Fundos de Investimento Multimercado Credito Privado (C)	-	3,224
FIDC	Esmeralda - Fundo de Investimento em Direitos Creditórios	1,763	2,229
FII	Singulare Fundo de Investimento Imobiliário	587	971
FIM	Fundo de Investimento Liquidez Camara	-	12,419
FIP	Industrial Parks Brasil FIP Multiestratégia (A)	5	11
	Total Funds Invested available for sale	80,889	53,161
FIDC	Siller Fundo de Investimento em Direitos Creditórios - Não Padronizados (D)	-	113,439
FIDC	Structure Fundo de Investimento em Direitos Creditórios (E)	47,618	49,517
FIDC	Fundo de Investimento em Direitos Creditórios Credz	-	3,500
	Total Funds Invested held to maturity	47,618	166,456
	Total	133,018	229,430

(a) Industrial Parks Fundo de Investimento em Participações Multiestratégia (Fund), administered by Lions Trust Administradora de Recursos Ltda., was created on August 19, 2008 as a closed-end fund under CVM Instruction 391, dated July 16, 2003, superseded by CVM Instruction 578, dated August 30, 2016, with duration set for November 19, 2023.

The Fund is in liquidation phase and most of the assets were realized at the beginning of 2021.

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- (b) Supra Mid Fundo de Investimento em Cotas de Fundos de Investimento Multimercado - Crédito Privado ("Supra Mid"), started operations on August 18, 2020 as a closed-end funds administered by Singulare Corretora de Títulos e Valores Mobiliários S.A., with indefinite duration.

The Bank's investment in "SUPRA MID" is represented by the acquisition of Senior units.

On December 31, 2022, the equity interest of the Bank represented 59.5% of "SUPRA MID" equity.

- (c) O The Bank has funds invested in units in "Paulista Consignado II – Fundo de Investimento em Cotas de Fundos de Investimento Multimercado – Crédito Privado" (FIC FIM II), which holds units in "BPD Consignado Fundo de Investimento em Direitos Creditórios" (BPD FIDC).

Fundo Consignado II was created on June 01, 2021 as a closed-end fund with indeterminate duration. The Fund is administered and managed by Singulare Corretora de Títulos e Valores Mobiliários S.A.

The Bank held three million five hundred thousand units (3,500,000) subordinated units in FIC FIM II.

During December 2021, the Bank redeemed the subordinated units originally issued by BPD FIDC.

As of December 31, 2021, total net assets of Fundo BPD FIDC was R\$ 46,943, mainly represented by payroll loans, with the Bank's interest in FIC FIM II being R\$ 3,224, represented by 2,300,000 senior units.

During 2022, the Bank assigned payroll loans to BPD Fundo de Investimentos em Direitos Creditórios Consignados for the amount of R\$ 50,142 (R\$ 49,215 in 2021), whose notional value amounted to R\$ 78,772 (R\$ 65,915 in 2021). As a result of this Assignment, a profit of R\$ 11,833 (R\$ 8,775 in 2021) was recorded in "Profit from assignment of receivables".

- (d) O Siller Fundo de Investimento em Direitos Creditórios Não Padronizados started operations on October 30, 2020 as a closed-end funds administered by Singulare Corretora de Títulos e Valores Mobiliários S.A., with a duration of 96 months.

The Bank's investment in said fund is represented by the acquisition of senior units.

The Fund was closed, early, on October 25, 2022.

During the year of 2022, the Fund yield was R\$ 12,833. Anticipated redemption generated a profit of R\$ 17.

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- (e) Structure Fundo de Investimento em Direitos Creditórios, started operations on November 29, 2019 as a closed-end funds, administered by Singulare Corretora de Títulos e Valores Mobiliários S.A., with a duration of 61 months.

The Bank's investment in said fund is represented by the acquisition of mezzanine subordinated units.

(iv) Linked to guarantees

Securities pledged as collaterals refer to securities linked to transactions traded on B3 S.A.- Brasil, Bolsa, Balcão in the amount of de R\$ 4,253 (R\$ 40,713 as of 2021). These securities may be replaced with other securities if selling them is needed.

b) Securities - Breakdown by maturity

	2022					2021	
	Without maturity date	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total	Total
Trading securities							
Financial Treasury Bills (LFT)	-	-	-	63	40,027	40,090	402
National Treasury Notes (NTN)	-	-	-	-	-	-	40,839
Agricultural Debt Securities – TDA	-	-	-	1	-	1	2
Investment fund units - CFI	4,511	-	-	-	-	4,511	9,813
Debentures	-	-	-	995	-	995	-
Shares of listed companies	63	-	-	-	-	63	53
Certificates of Real Estate Receivables (“CRIs”)	-	-	467	-	-	467	857
Total trading securities (i)	4,574	-	467	1,059	40,027	46,127	51,966
Available-for-sale securities							
Financial Treasury Bills (LFT)	-	13	3,421	14,413	8,610	26,457	50,314
National Treasury Notes (NTN)	-	-	-	-	120,346	120,346	161,221
Agricultural Debt Securities – TDA	-	-	1	1	1	3	4
Certificates of Real Estate Receivables (“CRIs”)	-	-	-	-	-	-	16,247
Investment fund units - CFI	80,889	-	-	-	-	80,889	53,161
Total available-for-sale securities (i)	80,889	13	3,422	14,414	128,957	227,695	280,947
Held-to-maturity securities							
Units in Receivables Funds – FIDC	-	-	-	-	47,618	47,618	166,456
Total held-to-maturity securities	-	-	-	-	47,618	47,618	166,456
Total	85,463	13	3,889	15,473	216,602	321,440	499,369

- (i) In breaking down the terms, the maturity of the papers, regardless of their accounting classification, was considered.

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In the year ended December 31, 2022, gain on securities investment was R\$ 64,167 (R\$ 38,714 in 2021).

Public securities are under the custody of the Special Settlement and Custody System (SELIC) whereas private securities and units and Funds, B3.

There was no reclassification of categories of securities in the years ended December 31, 2022 and 2021.

7. Derivative financial instruments

The Bank conducts transactions involving derivatives, recorded in statement of financial position and memorandum accounts, which are primarily intended for the Bank to manage its overall exposure to risk.

Sales of derivatives with the underlying counterparts is preceded by an evaluation of the credit risks involved.

As of December 31, 2022 and 2021, derivative financial instruments recorded in statement of financial position accounts, including MtM, are as follows:

	2022				2021			
	Notional value	Assets	Liabilities	Net	Notional value	Assets	Liabilities	Net
Non-deliverable Forwards (NDF)	23,715	40	-	40	39,537	910	-	910
Total	23715	40	-	40	39,537	910	-	910

a) Analytical breakdown of transactions

Description	2022		2021	
	Amount Notional amount (In reais)	Book value receivable (payable)	Notional value (In reais)	Book value receivable (payable)
Forwards				
Real x USD	23,715	40	39,537	910
Total	23,715	40	39,537	910

b) Derivatives mature as follows:

Description	2022		2021	
	Up to 3 months	Total	Up to 3 months	Total
Non-deliverable forwards (NDFs)	40	40	910	910

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The determination of derivatives at market value is based on quotes disclosed by specialized stock exchanges and, in certain cases, pricing techniques are used.

The Bank has derivative transactions that are conducted in futures market - B3. Such transactions are exclusively pegged to future foreign currency indexes and, as of December 31, 2022, have a notional amount of R\$ 23,958 (R\$ 40,723 in 2021). There are no amounts receivable as of December 31, 2022 (R\$ 841 receivables in 2021).

All derivative transactions performed by the Bank are registered with B3. DI futures and foreign currency contracts are primarily used as instruments limiting funding rates, due to mismatch of terms, currencies and/or indexes with asset transactions.

c) Call margin

The following assets are pledged as collateral in conducting derivative transactions:

	<u>2022</u>	<u>2021</u>
Financial Treasury Bills (LFT)	4,253	7,280
	<u>4,253</u>	<u>7,280</u>

d) Gain (loss) on derivative financial instruments

Gain (loss) on derivative transactions in the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Futures	6,240	(2,904)
Non-deliverable forwards - NDF	(6,440)	2,063
	<u>(200)</u>	<u>(841)</u>

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8. Lending operations

As of December 31, 2022 and 2021, lending operations are broken down as follows:

a) By type of operation

	<u>2022</u>	<u>2021</u>
Lending operations:		
Loans and discounted notes	766,892	479,975
Financing - Export credit bills	143,071	131,406
Financing - Rural to agribusiness	38,148	18,678
Assignment with co-obligation	34,164	-
	<u>982,275</u>	<u>630,059</u>
Other receivables:		
Receivables without recourse	408,063	219,348
	<u>408,063</u>	<u>219,348</u>
Total lending operations	<u><u>1,390,338</u></u>	<u><u>849,407</u></u>
Expected credit losses	(13,079)	(7,302)
Other expected credit losses	(1,943)	(1,002)
Total expected credit losses	<u><u>(15,022)</u></u>	<u><u>(8,304)</u></u>
	<u><u>1,375,316</u></u>	<u><u>841,103</u></u>

b) By sector

	<u>2022</u>	<u>2021</u>
Private sector		
Industry	150,318	83,460
Commerce	330,554	314,084
Analyst	256,100	250,172
Individuals	619,202	201,691
Assignment with co-obligation	34,164	-
Total	<u><u>1,390,338</u></u>	<u><u>849,407</u></u>

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c) By maturity

	<u>2022</u>	<u>2021</u>
Past due	15,108	4,404
Falling due		
up to 90 days	405,135	255,560
91 to 180 days	145,195	121,950
181 to 360 days	88,352	90,082
over 360 days	736,548	377,411
Total	<u><u>1,390,338</u></u>	<u><u>849,407</u></u>

d) Portfolio breakdown by risk rating

Level	<u>Portfolio balances</u>					
	<u>2022</u>				<u>2021</u>	
	Regular way	Past due	Total	%	Total	%
AA	202,751	-	202,751	14.58	119,147	14.03
A	486,389	-	486,389	34.98	62,964	7.41
B	632,453	3,205	635,658	45.72	638,660	75.19
C	51,726	1,282	53,008	3.81	24,338	2.86
D	1,556	780	2,336	0.17	3,063	0.36
E	355	7,363	7,718	0.56	899	0.11
F	-	428	428	0.03	71	0.01
G	-	564	564	0.04	14	-
H	-	1,486	1,486	0.11	251	0.03
	<u><u>1,375,230</u></u>	<u><u>15,108</u></u>	<u><u>1,390,338</u></u>	<u><u>100.00</u></u>	<u><u>849,407</u></u>	<u><u>100.00</u></u>

Level	<u>Provision</u>						
	<u>2022</u>					<u>2021</u>	
	% of allowance	Regular way	Past due	Total	%	Total	%
A	0.5	2,432	-	2,432	16.19	315	3.79
B	1.0	6,324	32	6,356	42.31	6,386	76.91
C	3.0	1,552	38	1,590	10.59	730	8.79
D	10.0	156	78	234	1.56	306	3.69
E	30.0	106	2,209	2,315	15.41	270	3.25
F	50.0	-	214	214	1.42	36	0.43
G	70.0	-	395	395	2.63	10	0.12
H	100.0	-	1,486	1,486	9.89	251	3.02
		<u><u>10,570</u></u>	<u><u>4,452</u></u>	<u><u>15,022</u></u>	<u><u>100.00</u></u>	<u><u>8,304</u></u>	<u><u>100.00</u></u>

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e) Changes in the allowance for expected credit losses

	<u>2022</u>	<u>2021</u>
Opening balance	8,304	9,169
Allowances, net	6,788	976
Loans derecognized against loss	(70)	(1,841)
Closing balance	<u><u>15,022</u></u>	<u><u>8,304</u></u>

f) Renegotiated and recovered receivables

There was no renegotiation of receivables during the years of 2022 and 2021.

In the year ended December 31, 2022, renegotiated receivables amounted to R\$ 5,367 (R\$ 6,748 in 2021). These receivables were renegotiated in 2020.

In the year ended December 31, 2022, recovered receivables amounted to R\$ 4,289 (R\$ 1,512 in 2021). In this amount it is included the profit for repurchase of credits made with Paulista Companhia Securitizadora de Créditos Financeiros, as described in note 8g.

g) Assignment of receivables

In December 2020, the Bank entered into an agreement establishing general conditions for the assignment and acquisition of receivables with a financial institution duly authorized to operate by the Central Bank of Brazil ("BACEN"), relating to payroll loans arising from borrowings and credit card transactions to retired persons and insureds enjoying INSS benefits.

During the year ended December 31, 2022, the Bank acquired receivables under the "Agreement" for R\$ 297,705 (R\$ 94,113 in 2021), whose notional values amounted to R\$ 642,946, resulting in a gain during the year of R\$ 26,754 (R\$ 6,370 in 2021), recorded in "Income from financial intermediation - Lending operations".

The average acquisition rate was 1.62% for each one of the assigned receivables, recorded in "Other assets - Sundry" (Note 12) for the amount of R\$ 39,087 (R\$ 4,347 in 2021), which has been deferred over the term of the contracts acquired and recorded in "Other operating expenses - Deferral payroll loans INSS", totaling 1,072. (Note 28)

During 2022, the Bank assigned to BPD Fundo de Investimentos em Direitos Creditórios Consignados payroll loans previously acquired under the "Agreement" for the amount of R\$ 50,142 (R\$ 49,215 in 2021), whose notional value amounted to R\$ 78,772. As a result of this assignment, a profit of R\$ 12,120 (R\$ 8,907 in 2021) was recorded in "Profit from assignment of receivables". (Note 27)

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On August 26, 2022, the Bank assigned with co-obligation own payroll loans, for the amount of R\$ 37,239, which par values amounted to R\$ 73,224. The income from this assignment was R\$ 10,616, which will be recognized during the term of this portfolio (note 19b). During the year of 2022, it was recorded in "Income from Lending operations" the amount of R\$ 2,788.

As of December 31, 2022, the balance of Credits assigned with co-obligation totaled R\$ 34,164, according to note 8b. The obligation pegged to this assignment totaled R\$ 42,334, according to Note 19b.

During the year of 2022, the Bank repurchased from Paulista Companhia Securitizadora de Créditos Financeiros, receivables previously assigned, at the amount R\$ 894, which notional values accounted for R\$ 12,385. As a result of this repurchase, a profit of R\$ 4,643 was recorded in "Profit from recovery of receivables". (Note 8h)

h) Income from lending operations

	<u>2022</u>	<u>2021</u>
Loans and discounted notes (i)	109,208	52,576
Financing	25,831	10,030
Recovery of receivables written off as losses(ii)	4,643	1,513
Advances on deposits	73	100
Income from rural financing	3,801	687
Acquisition of receivables - without co-obligation	26,754	6,370
Total profit from lending operations	<u>170,310</u>	<u>71,276</u>

- (i) Variation in profit is due to increase in equity volume of the Portfolio of Credit Operations in the second semester of 2022, including in the anticipations of the FGTS birthday withdrawal in the activities of Real Estate Collateral Credit;
- (ii) In 2022, it refers to Profit with the Repurchase of receivables previously assigned to the Securitization Company.

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9. Trade and other receivables with characteristics of loans

	<u>2022</u>	<u>2021</u>
Current		
Federal court-ordered notes ("precatórios") (*)	10,190	2,670
Total current	<u>10,190</u>	<u>2,670</u>
Noncurrent		
Municipal court-ordered notes ("precatórios")	5,141	948
State court-ordered notes ("precatórios")	58,257	32,052
Federal court-ordered notes ("precatórios") (*)	791	13,241
Total non-current	<u>64,189</u>	<u>46,241</u>
	<u>74,379</u>	<u>48,911</u>
(-) Allowance for losses	<u>(733)</u>	<u>(473)</u>
Total	<u>73,646</u>	<u>48,438</u>

(*) Balance comprised of court-ordered notes ("precatórios") already issued by the federal government, a state or a municipal government arising from lawsuits for which a final unappealable decision has been issued, maturing between 2023 and 2030.

During the year of 2022, the Bank acquired new securities: R\$ 196 in federal court-ordered notes ("precatórios"); R\$ 21,466 in state court-ordered notes, and R\$ 3,821 Municipal court-ordered notes, in the amount of R\$ 25,483. In 2022, the update of court-ordered notes was R\$ 16,591. (Note 27)

10. Interbranch and interbank accounts

	<u>2022</u>	<u>2021</u>
Assets - current		
State-owned banks - Deposits linked to agreements (i)	1,462	17,815
	<u>1,462</u>	<u>17,815</u>
Liabilities - current		
Corresponding Banks	474	512
	<u>474</u>	<u>512</u>

- (i) Refers to checks deposited in Caixa Econômica Federal (CEF), arising from the Ministry of Cities and Agencies under Special Agreements (state and municipal agencies and the Federal District and Housing Cooperatives) under the National Program for Support to Social Interest Housing - PSH. In 2022, the National Treasury of Brazil (STN) released the resources to assist the program.

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11. Non-financial assets held for sale - received

Comprised of assets not intended for own use (BNDU), repossessed by the Bank due to debtors' default in paying loans:

	<u>2022</u>	<u>2021</u>
Current		
Vehicles	502	502
Properties (for housing purposes) (i)	2,879	2,879
	<u>3,381</u>	<u>3,381</u>

(i) The value was determined based on an impairment appraisal report.

12. Other assets - Sundry

	<u>2022</u>	<u>2021</u>
Current		
Recoverable taxes, and tax to offset (i)	5,991	1,686
Sundry debtors - Brazil	2,636	570
Funding commissions deferred	2,374	1,726
Premium or discount due to transfer of assets - INSS payroll loans (ii)	9,493	1,082
Premium or discount due to transfer of assets - Advance of FGTS birthday withdrawal (ii)	1,302	-
Others	1,468	868
	<u>23,264</u>	<u>5,932</u>
Noncurrent		
Recoverable taxes and taxes to offset (i)	25,792	34,008
Advances on foreign exchange contracts	673	673
Funding commissions deferred	1,896	3,045
Sundry debtors - Brazil	-	725
Premium or discount due to transfer of assets - INSS payroll loans (ii)	24,879	3,265
Premium or discount due to transfer of assets - Advance of FGTS birthday withdrawal (ii)	3,413	-
Debtors for security deposits (Note 34b)	8,411	6,816
	<u>65,064</u>	<u>48,532</u>

(i) Mainly represented by prepayment of prior year income tax and social contribution which were not offset and recoverable INSS;

(ii) Amounts relating to deferral of prices of receivables acquired as described in Note 8g.

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13. Investments

	<u>2022</u>	<u>2021</u>
CERTA - Central de Registro de Títulos e Ativos S.A.	-	1,177
CIP - Câmara Interbancária de Pagamentos	-	1
Other investments	1,752	535
(-) Allowance for losses	-	(252)
	<u>1,752</u>	<u>1,461</u>

14. Intangible assets

	Amortization			2022	2021
	rate	Cost	Amortization		
Software	20%	5,646	(5,048)	598	1,031
Other intangible assets (*)	-	478	-	478	2,387
	<u>-</u>	<u>6,124</u>	<u>(5,048)</u>	<u>1,076</u>	<u>3,418</u>

As required by CPC 01, as of December 31, 2022, the Bank tested intangible assets for impairment for indications that the carrying amount of the assets exceeded their recoverable value, due to the adverse economic effects of the Covid-19 pandemic.

The Bank concluded that the carrying amount of the “Reserva Metais” brand licensing was higher than its recoverable value, resulting in these assets to be written off by R\$ 1,909 (R\$ 1,613 in 2021), recorded in “Other non-operating expenses” (Note 29).

(*) Refers to purchase of brands, domain and electronic addresses, manual and procedures, including all royalties to explore a new product.

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15. Deposits

a) By maturity:

	2022				Total	2021
	Without maturity	1 to 90 days	91 to 360 days	Over 360 days		Total
Demand - local currency	85,119	-	-	-	85,119	105,036
Demand - foreign currency	3	-	-	-	3	3
Interbank deposits	-	9,554	-	-	9,554	-
Time deposits	-	395,991	327,379	577,856	1,301,226	1,014,738
	85,122	405,545	327,379	577,856	1,395,902	1,119,777

In the year ended December 31, 2022, expenses on “Deposits” were R\$ 131,266 (R\$ 55,813 in 2021) and expenses on “Credit Guarantee Fund” amounted to R\$ 1,763 (R\$ 1,545 in 2021). (Note 21)

b) Average rate applied:

	2022		2021	
	Fixed rate	Floating	Fixed rate	Floating
Interbank deposits	n/a	99.60	n/a	99.00
Time deposits	100.00	112.86	9.01	118.75

Rates used to raise floating CDB were from 90% to 125% of CDI (100% to 150% of CDI in 2021). For DI, a rate of 99.60% of CDI was used (99.00% of CDI in 2021).

16. Money market funding

	2022		2021
	1-30 days	Total	Total
Own portfolio	7,657	7,657	55,045
Financial Treasury Bills (LFT)	-	-	5,993
National Treasury Notes (NTN)	7,657	7,657	49,052
Total	7,657	7,657	55,045

In the year ended December 31, 2022, expenses on money market funding were R\$ 6,079 (R\$ 2,465 in 2021). (Note 21)

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17. Borrowings and onlendings; funds from acceptances and issuance of securities and subordinated debts

	2022					Total	2021 Total
	Without maturity date	1-90 days	91 to 180 days	181 to 360 days	Over 360 days		
Payables due to onlendings	9,192	-	-	-	-	9,192	7,432
Domestic onlendings - state-owned institutions (i)	9,192	-	-	-	-	9,192	7,432
Funds from acceptances and issuance of securities	-	15,760	35,329	140,174	87,714	278,977	227,614
Obligations on issuance of Agricultural Receivables Notes - LCA (ii)	-	5,000	24,996	91,717	81,466	203,179	191,211
Obligations on Real Estate Receivables Bills - LCI (iii)	-	10,760	10,333	48,457	6,248	75,798	36,403
Subordinated debts	-	-	-	-	27,423	27,423	-
Subordinated debts eligible to capital (iv) (note 31)	-	-	-	-	27,423	27,423	-
	9,192	15,760	35,329	140,174	115,137	315,592	235,046

- (i) Domestic onlendings refer to resources deposited arising from the Ministry of Cities and Agencies under Special Agreements (state and municipal agencies and the Federal District and Housing Cooperatives) under the National Program for Support to Social Interest Housing - PSH;
- (ii) Refer to Agricultural Receivables Notes (LCA). A rate from 106% to 110% of CDI was used (100% to 126% of CDI in 2021);
- (iii) Refer to Real Estate Receivables Bills with the Bank's controlling shareholder (Note 31);
- (iv) Refers to Treasury Bills containing subordination clauses corresponding to instruments eligible to Tier-II capital authorized according to Resolution 4.192/13.

In the year ended December 31, 2022, expenses on "Deposits" were R\$ 31,574 (R\$ 9,700 in 2021) and expenses on "Credit Guarantee Fund" amounted to R\$ 3,723 (R\$ 796 in 2021). (Note 21)

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18. Provisions for payables

	<u>2022</u>	<u>2021</u>
Commissions without production	-	51
Vacation pay	3,406	2,914
Profit sharing	430	455
Rentals	194	190
Data processing	72	95
Third-party services	317	287
Legal fees	2	22
Others	3	43
Total	<u>4,424</u>	<u>4,057</u>

19. Other liabilities

a) Taxes and social security

	<u>2022</u>	<u>2021</u>
Current		
Taxes and contributions payable	3,368	6,032
RFB in installments - Principal and fine (i)	10,909	2,588
	<u>14,277</u>	<u>8,620</u>
Noncurrent		
Taxes payable (i)	-	13,738
	<u>-</u>	<u>13,738</u>

- (i) Refers IRPJ, CSLL and IRRF tax assessment notices in the amount of R\$ 10,909 (R\$ 16,326 in 2021), in connection with Administrative Proceeding 16327-721.025/2018-35, which disallowed the expenses that had been included in the calculation bases of those taxes. The resulting debt has been paid in 60 monthly installments on a timely basis under an agreement made with the Brazilian Federal Revenue Service (RFB).

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b) Sundry

	<u>2022</u>	<u>2021</u>
Current		
Obligations by operations connected to assignment with co-obligation (Note 8g)	11,693	-
Collection notes in transit	63	86
Charges on amounts received under the PSH program	9	9
Court-ordered notes to settle	2,087	-
Other payables	2,519	1,023
	<u>16,371</u>	<u>1,118</u>
Noncurrent		
Obligations by operations connected to assignment with co-obligation	30,641	-
	<u>30,641</u>	<u>-</u>

20. Equity

a) Share capital

As of December 31, 2022, fully subscribed and paid-in capital is R\$ 184,300 (R\$ 184,300 in 2021), represented by 424,458,216 registered shares (424,458,216 in 2021), without par value, of which 212,229,108 are common shares (212,229,108 in 2021) and 212,229,108 are preferred shares (212,229,108 in 2021).

b) Dividends and interest on Stockholder's Capital

Bylaws establish the payment of minimum mandatory dividends equivalent to 25% of profit for the year, calculated under Brazilian Corporate Law. In the year of 2022, dividends were not allocated and there was provision of interest on the Stockholders' Equity of R\$ 4,900.

c) Legal Reserve

The Bank is required to allocate 5% of its profit to a legal reserve, which may not exceed 20% of paid-in capital.

The amount recognized in the year was R\$ 363 (R\$ 240, in 2021). As of December 31, 2022, legal reserve balance was R\$ 603 (R\$ 240, in 2021).

d) Statutory reserve

The Bank is required to allocate 10% of profit to the statutory reserve which is intended to ensure an appropriate operating margin up to a maximum of 100% of capital.

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The profit balance after the allocations required by Bylaws will be allocated as resolved by the Executive Officers and ratified by the General Shareholders Meeting; 100% of the amount may be allocated to the earnings reserves.

The amount recognized in the year was R\$ 6,905 (R\$ 2,550, in 2021). As of December 31, 2022, after the payment of interest on capital, in the amount of R\$ 4,900, the statutory reserve balance was R\$ 4,555 (2,550 in 2021).

e) Mark-to-market of available-for-sale securities

The balance of valuation adjustments to equity is negative by R\$ 2,925 (R\$ 1,505 negatives in 2021) and corresponds to federal securities available for sale and fund units which are marked to the market. (Note 6)

f) Retained earnings

Under Resolution 4.872/20, the unallocated profit for year, after the recognition of a legal reserve, was allocated to the statutory earnings reserve. As of December 31, 2022, profit for the year was R\$ 7,268 (R\$ 6,003, in 2021).

21. Expenses on money market funding

	<u>2022</u>	<u>2021</u>
Time deposits (Note 15) (i)	130,723	55,805
Money market funding (Note 16)	6,079	2,465
Contributions to the Credit Guarantee Fund (FGC) (Note 15)	1,763	1,545
Interbank deposits (Note 15)	543	8
Treasury bills (Notes 17 and 31)	3,723	796
Agricultural Receivables Bills - LCA (Notes 17 and 31)	24,455	8,198
Real Estate Receivables Bills - LCI (Notes 17 and 31)	7,119	1,502
	<u><u>174,405</u></u>	<u><u>70,319</u></u>

- (i) Variation in the result is due to the increase in the volume of funding between the second semester of 2021 and the second semester of 2022.

22. Revenue from services and banking fees

a) Service revenue

	<u>2022</u>	<u>2021</u>
Custody services	96	1,178
Transaction structuring fees	994	798
Hiring fees	1,377	1,440
Other services	298	428
	<u><u>2,765</u></u>	<u><u>3,844</u></u>

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b) Income from banking fees

	<u>2022</u>	<u>2021</u>
Fees on transfers of funds	948	1,126
Income from banking fees	41,286	32,348
Other fees	31	47
	<u><u>42,265</u></u>	<u><u>33,521</u></u>

23. Personnel expenses

	<u>2022</u>	<u>2021</u>
Salaries and wages	23,606	19,773
Social security taxes	10,419	9,022
Benefits	6,583	5,243
Fees	7,977	7,229
Training	39	49
Interns' compensation	44	31
	<u><u>48,668</u></u>	<u><u>41,347</u></u>

24. Administrative expenses

	<u>2022</u>	<u>2021</u>
Consulting on lending operations	4,933	5,637
Specialized technical services	8,683	8,544
Data processing (i)	15,729	11,840
Rentals	2,766	2,659
Financial system	1,860	1,507
Communications	706	699
Third-party services	878	771
Notary fees	1,096	946
Commissions to correspondents (ii)	7,757	1,359
Financial consultancy	7,366	-
Others	2,699	2,478
	<u><u>54,473</u></u>	<u><u>36,440</u></u>

- (i) Expenses with data processing increased when compared to the same period from the previous year, as a consequence of, mainly, the implementation of Open Banking, acquisitions of licenses for the Payroll lending product and Home Equity, and development of new systems;
- (ii) The Bank hires "correspondents in the country," duly authorized by BACEN to provide corresponding services in payroll loans transactions. The increase of Commissions occurred because of the volume of the "payroll loans" portfolio, as described in Note 8a.

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25. Tax expenses

	<u>2022</u>	<u>2021</u>
Service tax (ISSQN)	2,271	1,892
Cofins (tax on revenue)	5,160	3,638
PIS (tax on revenue)	839	591
Others	3,534	2,750
	<u>11,804</u>	<u>8,871</u>

26. Expenses on provisions

	<u>2022</u>	<u>2021</u>
Adjustment for inflation of taxes and contributions (Note 34)	73	27
Contingencies - Judicial and legal (Note 34) (i)	4,373	791
Reversal of provision for civil risks	(325)	(117)
Provisions for labor claims (Note 34)	987	1,038
Reversal of provision for labor risks	(1,845)	-
Expenses on RFB tax assessment notices (Note 19a)	1,460	1,798
Reversal of provision for proceedings with RFB - Interest	(3,087)	(2,392)
Contingency-related fees	-	87
Provision on guarantees given	136	173
Reversal of provisions for guarantees	(1,058)	(105)
	<u>714</u>	<u>1,300</u>

1. Mainly, represented by a civil lawsuit, with revision of probability from potential to probable, thus causing the recognition of a provision. (Note 34 b3).

27. Other operating income

	<u>2022</u>	<u>2021</u>
Recovery of charges and expenses	2,451	725
Income from guarantees provided	384	467
Exchange gain	4,413	1,925
Interest on federal court-ordered notes	17,268	15,324
Adjustment for inflation of judicial deposits	372	123
Reversal of provision for risks	-	148
Profit from assignment of payroll loans – Note 8g	12,120	8,907
Adjustment of IRRF balance	907	-
Others	379	986
	<u>38,294</u>	<u>28,605</u>

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28. Other operating expenses

	<u>2022</u>	<u>2021</u>
Expenses on recovery of CDC	1,119	1,373
Exchange rate changes	11	-
Commission on financing agreements	12	-
Deferral of payroll loans INSS	9,582	6,291
Deferral of acquisition of FGTS withdrawal	2,379	-
Amortization and depreciation	943	935
Interbank fees	33	51
Finance costs - PSH	522	513
Lawyers' fees	125	742
Losses on fees	59	552
Other divisions	1,224	-
Deposits written off	1,959	3,700
Assignment with co-obligation (Note 8g)	1,072	-
Others	2,773	2,972
	<u>21,813</u>	<u>17,129</u>

29. Non-operating profit (loss)

	<u>2022</u>	<u>2021</u>
Gain or loss on disposal of intangible assets (*)	(1,909)	4,598
Lease of Reserva Metais brand	673	240
Loss on sale of assets not intended for own use (BNDU)	(2)	-
Fixed assets write-off	-	(2)
Others	50	481
	<u>(1,188)</u>	<u>5,317</u>

(*) In 2021, this balance is substantially comprised of gain on sale of Câmara Interbancária de Pagamentos (CIP) units in the amount of R\$ 6,211 (Note 13) and loss on disposal of intangible assets in the amount of R\$ 1,613. In 2022, it represents the amount of disposal of intangible assets. (Note 14)

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30. Income tax and social contribution

a) Reconciliation of provisions for income tax and social contribution

	<u>2022</u>	<u>2021</u>
Profit before taxes on income and profit sharing	13,890	10,818
(-) Profit sharing	<u>(1,017)</u>	<u>(667)</u>
Profit before taxes and after profit sharing	12,873	10,151
Temporary additions and deductions	<u>2,878</u>	<u>(9,599)</u>
MtM adjustment - securities	487	115
Credit risk losses	6,788	(10,559)
Provisions for RFB proceedings - Interest	(1,627)	(593)
Provisions for contingent liabilities (Note 34)	3,047	1,142
Other temporary additions and exclusions (i)	(5,817)	296
Permanent additions and deductions	<u>(5,278)</u>	<u>(485)</u>
Other permanent additions and exclusions (ii)	(5,278)	(485)
Tax base	<u>10,473</u>	<u>67</u>
Income tax and social contribution	4,794	10
Deductions - tax incentives	<u>(63)</u>	<u>-</u>
Income tax and social contribution	4,731	10
Deferred tax assets	874	4,138
Total income tax and social contribution	<u>5,605</u>	<u>4,148</u>

- (i) Mainly represented by the consumption of Tax Loss and Negative tax basis in the amount of (R\$ 4,489);
- (ii) Mainly represented by the credit of JCP in the amount of (R\$ 4,900).

b) Tax credits

Tax credits were recognized on the following:

	<u>2022</u>	<u>2021</u>
Credit risk losses and receivables written off as loss	24,176	22,209
Provision for Risks	6,954	3,907
Provisions for RFB proceedings - Interest and Others	3,304	6,258
MtM adjustment - securities - Trading	3,971	3,485
Tax loss carryforwards	26,881	31,369
Total tax credits	<u>65,286</u>	<u>67,228</u>
MtM adjustment - securities - Available for sale (i)	<u>5,318</u>	<u>2,737</u>
Total tax credits after MtM adjustment - securities - Available for sale	<u>70,604</u>	<u>69,965</u>

- (i) The addition refers to MtM adjustment to securities classified under the available-for-sale category for which appreciation or depreciation is recorded in a separate account in equity, according to BACEN Circular Letter 3.068, of November 08, 2001.

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Changes in tax credits during the year are as follows:

	12/31/2021	Constitution	Realization/ Reversal	12/31/2022
Expected credit losses	9,994	3,406	(2,520)	10,880
Provision for tax risks and contingencies	4,574	3,163	(3,121)	4,616
MtM adjustment - securities - Trading	1,568	909	(690)	1,787
Tax loss carryforwards	14,116	-	(2,020)	12,096
Total tax credits	30,252	7,478	(8,351)	29,379
MtM adjustment – securities - Available for sale	1,232	1,161	-	2,393
Total tax credits after MtM adjustment - securities - Available for sale	31,484	8,639	(8,351)	31,772

Tax credits will be offset within the statutory term permitted by Resolution 4.842/2020. Offsetting is contingent on the nature of the credit generated. Income tax and social contribution tax credits were only recognized on temporarily nondeductible differences.

There are no other tax credits to be recognized.

The present value of tax credits as of December 31, 2022 is R\$ 16,411. The CDI/B3 rates determined for the respective periods were used. Tax credits are periodically assessed based on the generation of future taxable income for income tax and social contribution purposes, in an amount that justifies the realization of the related amounts.

Based on their projections, which include business plan developments, Management expects that the Bank will generate future taxable income within the statutory term and will be able to use the tax credits recognized in the financial statements. Such estimate is revised on a periodic basis so that probable changes in the projected recovery of these credits can be considered in the financial statements on a timely basis.

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The estimated realization of tax credits is as follows:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Expected credit losses	544	725	762	800	920	1,058	1,216	1,399	1,608	1,848	10,880
Provision for tax risks and contingencies	-	-	1,154	1,154	1,154	1,154	-	-	-	-	4,616
Mark-to-market adjustment of securities - Trading	89	96	100	120	145	173	208	250	300	306	1,787
Mark-to-market adjustment of securities - Available for sale	120	128	134	161	194	232	279	335	401	409	2,393
Tax loss carryforwards	891	953	1,001	1,051	1,130	1,215	1,306	1,404	1,509	1,636	12,096
Total	1,644	1,902	3,151	3,286	3,543	3,832	3,009	3,388	3,818	4,199	31,772
Present value	1,454	1,504	2,220	2,060	1,976	1,899	1,328	1,328	1,335	1,307	16,411

31. Related-party transactions

Related-party transactions were carried out under usual market conditions as regards charges and maturities and consist basically of:

	Assets (liabilities)		Revenue (expenses)	
	2022	2021	2022	2021
Demand deposits	(20,318)	(13,271)	-	-
Time deposits	(90,964)	(96,715)	(10,830)	(4,807)
Debtors pending settlement	-	840	-	-
Treasury bills - Subordinated debt (Note 17)	(27,423)	-	(3,723)	(753)
Real Estate Receivables Bills - LCI (Notes 17 and 21)	(14,470)	(11,075)	(7,080)	(1,502)
Agricultural Receivables Bills - LCA (Notes 17 and 21)	(46,011)	(41,943)	(20,806)	(4,699)
Receivables without recourse (*)	5,229	5,703	13,550	5,632

(*) Assignment of receivables without recourse with Paulista - Companhia Securitizadora de Créditos Financeiros S.A. and with BPD Fundo de Investimentos em Direitos Creditórios Consignados (Note 8g).

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a) Key management personnel compensation

The annual General Shareholders' Meeting resolves on the overall compensation of the key management personnel, as established in the Bank's Bylaws. The Bank incurred on the following short-term benefits to Management:

	<u>2022</u>	<u>2021</u>
Fixed compensation	7,976	7,229
Social security taxes	1,795	1,626
Total	<u>9,771</u>	<u>8,855</u>

The Bank does not grant long-term, post-employment, layoff or share-based compensation benefits to its management key personnel.

32. Risk management

Risk appetite

The Executive Board is responsible for approving the risk appetite limits and guidelines and, in accomplishing their responsibilities, counts on the support of the Risk and Control Committee and the Chief Risk Officer (CRO).

The risk appetite limits are monitored on a periodic basis and reported to the Risk and Control Committee and the Executive Board that governed preventive decision-making process to ensure that exposure is aligned with the Bank's strategy.

There is a centralized risk control and management framework and independent from business units which establish risk limits and mitigation mechanisms, besides establishing processes and instruments to measure, monitor and control risks.

The Bank uses three components to organize its risk management activities: Business and operational scenario; governance framework; and the organizational chart of the departments.

- Business and operational scenario: the objective of this component is to identify, analyze, evaluate, address, communicate, and monitor risks;
- The governance framework is comprised of committees and collegiate forums, specialized and with a periodic agenda, with formalization of relevant decisions; and
- The organizational chart of the departments defines specific responsibilities and ensure segregation of duties and independent roles.

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The Bank adopts an integrated management for risks, minimum capital requirements and financial capacity. Risks are classified according to their nature: liquidity, credit; market; operational; and capital management.

Types of risks:

a) Liquidity risk

The liquidity risk arises from the risk that the Bank will not be able to efficiently discharge its expected and unexpected obligation, current and future, without affecting its day-to-day operations and without incurring material losses. To protect itself against this risk, the Bank periodically assesses its exposures and defines the volume of security 'cushion,' or minimum liquidity, which should be recognized and held by the Institution.

The objective of liquidity risk management is to provide funding and manage investments and funding in the short and long terms. For the short-term horizon, the diversification of funding sources is prioritized. For the long-term horizon, matching the time between funding and investments is the priority. The practices adopted by the Bank are in conformity with the requirements set forth in CMN Resolution 4.557/17.

b) Credit risk

The credit risk arises from loss due to failure of the taker, issuer or counterpart to fulfill their respective financial obligations within the agreed-upon terms. To face this risk, the Bank periodically revises its exposures and the credit rating of its clients and counterparts by setting limits and requiring guarantees that are sufficient to cover potential losses incurred by the institution.

The objective of the credit risk management is to anticipate the degree of risk, monitor the diversification and recognize sufficient guarantee that make it possible to minimize the Institution's risk of incurring financial loss. The practices adopted by the Bank are in conformity with the requirements set forth in CMN Resolution 4.557/17.

c) Market risk

The market risk arises from the risks that the Bank will incur significant losses due to fluctuations in the market value of the positions held by the Bank. Such losses may be subject to currency parity as well as parity in interest rates, share price, price index and prices of commodities.

The risk management function seeks to balance the business objectives in the banking and trading portfolios, considering, among others: political, economic and market scenarios, portfolio profile and capacity to operate in specific markets. The practices adopted by the Bank are in conformity with the requirements set forth in CMN Resolution 4.557/17.

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d) Operational risk

The operational risk arises from fraud, internal or external, labor claims and deficient occupational safety, inappropriate practices relating to clients, products and services, damages to own physical assets or in use by the Bank, situations that may cause disruption to the Bank's activities and failures in systems, processes or information technology infrastructure. To address this risk, the Bank periodically compiles and categorizes these events by monitoring the effectiveness of the improvement plans adopted to minimize the occurrence of such events.

The objective of the operational management risk is the organized capture of information on weaknesses in business processes and the evaluation of the corresponding improvement plans. The practices adopted by the Bank are in conformity with the requirements set forth in CMN Resolution 4.557/17.

e) Capital management

Capital management counts on a prospective process to monitor and control the Bank's capital including the capital requirement planning and projection consistently with the budgetary plans and business goals and strategies to cover the resulting risks.

Capital can be defined as the long-term funds, own and third parties, and may be segmented into Tier I (Principal Capital and Supplementary Capital and Tier II (Hybrid Instruments), which were classified and authorized by BACEN for this specific purpose and that enable the institution to absorb the risks and determine and meet the required ratios and leverage thresholds. The practices adopted by the Bank are in conformity with the requirements set forth in CMN Resolution 4.557/17.

f) Sensitivity analysis

Banco Paulista performed a sensitivity analysis by market risk factors considered relevant, by monitoring the results obtained in determining the risks associated with the Bank's portfolio.

Since the calculation is made by following a methodology standardized by the Central Bank by means of the Financial Risk Management System, it does not consider the dynamic response capacity of management (Treasury and control areas) which triggers risk mitigating measures to minimize significant losses at least partially. The specific purpose of this study is risk management; therefore, it has no relation with accounting practices.

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g) Social, Environment, and Climate Responsibility

We have updated our regulatory commitment following the new guidelines brought through Resolution CMN 4.943/2021 which amends the Resolution 4.577/17 of “Integrated Risk Management (GIR)”, including guidelines related to the management of social, environmental, and climate-related risks, and of Resolution CMN 4.945/2021, which provides on the Policy of Environment, and Climate Responsibility (“PRSAC”). Both came into force on December 01, 2021 for financial institutions of the Segment S3, in which the Company is framed.

The Policy of Environment, and Climate Responsibility (“PRSAC”) presents principles, strategies, and guidelines of social, environmental, and climate nature to be observed in conducting our business, activities, and processes, as well as its relation with the concerned parties, being 100% aligned with the institutional positioning of the company, as regards of ESG matters.

In addition, it is worth highlighting that the social, environmental, climate risk assessment is part of the acceptance/renovation process of relevant customers and suppliers of Banco Paulista, and includes analysis of the commitment and customer and/or supplier’s ability to prevent, reduce, mitigate, and manage potential social, environmental, and climate-related impacts of their activities. At the end of this process, a rating RSAC (Social, Environmental, and Climate-related Risk) is attributed to eligible customer, as well as to relevant suppliers.

This process is part and contributes to the robustness of the structure of integrated risk management of the company, comprising an exclusive dimension in the institution’s matrix of Risk Appetite (RAS), periodically accompanied by the Management and Boards of Directors.

33. Indorsement, sureties and guarantees provided to third parties

As of December 31, 2022, the responsibility for indorsement, sureties and guarantees provided to third parties, including receivables assigned without recourse, amounted to R\$ 2,919 (R\$ 32,292 in 2021). An allowance for losses of R\$ 80 (R\$ 1,002 in 2021) was recognized to cover potential losses on these transactions.

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34. Contingent assets and contingent liabilities, and legal, tax and social security obligations

a) Contingent assets

Contingent assets are not recognized, except when there are actual guarantees or judicial decisions favorable on which no appeals apply, characterizing gain as practically guaranteed. Contingent assets with probable success, when existing, are only disclosed in the financial statements.

In 2022, there is a lawsuit with exhaustion of all appeals, where the Bank discusses employee social security contributions, on the amounts paid as (i) paid period of notice and (ii) fifteen first days of leave before the concession of the sick leave pay related to the period of 05/2005 to 05/2022. The amount R\$ 2,685 is recorded in the line “recoverable taxes”.

b) Contingent liabilities assessed as probable losses and legal obligations

b.1) Provision for labor risks

Comprised mainly of lawsuits filed by former employees claiming overtime and former independent contractors claiming recognition of employee-employer relationship and payment of the related labor rights.

Provisions for risks are recognized based on an individual analysis of the potential loss amount for each lawsuit, considering the current stage of the lawsuit, the case law in relation to the matter and the opinion of outside legal counsel.

The probable loss amount reliably estimated is fully recognized, including charges.

b.2) Provision for civil risks

Comprised mainly of civil lawsuits related to CDC operations, for pain and suffering and property damages, and other lawsuits with indemnity claims. For lawsuits related to CDC operations whose amounts are not individually material, the provision is recognized based on the average history of losses on lawsuits of the same nature. The average history of loss is revised every six months. For other civil lawsuits, the likelihood of loss is individually analyzed considering the current stage of the lawsuit, the case law in relation to the matter and the opinion of outside legal counsel.

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b.3) Provision for tax and social security risks

The provisions for tax and social security risks are represented by lawsuits and administrative proceedings, substantially represented by Constitutional Amendment 10/96 which ensures (i) the right to pay social contribution on net profit (CSLL) at the same rate applicable to entities not operating in the financial services segment; and (ii) suspend the requirement to pay CSLL on profits calculated at a rate of 30% in the period from 01/01/1996 to 06/07/1996, during which the company calculated and paid CSLL at a rate of 18% based on Law 9.249/95.

Changes in provisions for contingencies and legal obligations in the years are as follows:

	Provision for risks			2022	2021
	Labor	Civil	Tax		
Opening balance	1,056	1,607	1,244	3,907	2,765
Recognition	987	4,373	73	5,433	1,829
Realization	-	(216)	-	(216)	(387)
Inflation adjustments	-	-	-	-	27
Reversals	(1,846)	(252)	-	(2,098)	(414)
Reversal of fees	-	(72)	-	(72)	87
Closing balance	197	5,440	1,317	6,954	3,907

	Judicial deposits			2022	2021
	Labor	Civil	Tax		
Opening balance	1,067	1,303	4,446	6,816	8,494
Inflation adjustments	122	-	249	371	123
Recognition	2,684	1,599	-	4,283	2,239
Reversals	92	(290)	-	(198)	(234)
Write-offs	(1,949)	-	-	(1,949)	-
Payments	-	(912)	-	(912)	(3,806)
Closing balance	2,016	1,700	4,695	8,411	6,816

c) Contingent liabilities assessed as possible losses

As of December 31, 2022, contingent liabilities classified as possible loss are represented by 17 civil lawsuits (137 lawsuits in 2021) involving R\$ 2,275 (R\$ 7,958 in 2021), 28 labor claims (28 claims in 2021) involving R\$ 6,185 (R\$ 4,506 in 2021), and 14 tax lawsuits (3 lawsuits in 2021) involving R\$ 5,759 (R\$ 479 in 2021). The involved amounts were calculated based on the respective claims (which do not necessarily represent the amount of a possible loss) and are substantially represented by the following lawsuits:

- Lawsuits claiming revision of clauses under loan and financing agreements;

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- Indemnity claims, arising from the performance of financial transactions; and
- Labor claims.

In addition to the lawsuits above, in December 2019, the Federal Revenue Service issued a tax assessment notice disallowing the use of administrative expenses in determining IRPJ, CSLL and IRRF.

As February 28, 2023, this lawsuit was subject to the Programa de Redução de Litigiosidade Fiscal (PRLF), with pending analysis by the Federal Revenue, for the conclusion of adherence.

d) Processes underway

d.1) Central Bank Administrative Proceeding

On April 13, 2018, BACEN started an administrative proceeding which was challenged by the Bank. In August 2020, the Central Bank evaluated the proceeding and decided to apply a fine in the amount of R\$ 9,753. The bank appealed, and its legal counsel assessed the probability of potential loss.

d.2) Operation Car Wash

On May 08, 2019, the Bank was the target of the 61st stage of Operation Car Wash, named "Mammon Disguises", related to the Grupo Odebrecht, in which the Federal Attorney General's Office ("MPF") and the Federal Police investigate operations of money laundry, through exchange operations. On September 10, 2020 the 74th stage of the Car Wash operation was launched which targets were agreements executed with the Petrobras Group, in relation to surcharges, freezing of resources of officers involved in these operations.

The Bank's current Management has no knowledge of the transactions being investigated by Operation Car Wash and reassures that the Institution's operations have always being based on legality and all the standards and guidance established by the Central Bank of Brazil are followed.

Additionally, the Bank is not under criminal charge, therefore, there is nothing to state regarding success analysis in the financial sphere. It must be stated that there is not provision for criminal liability of corporate entities in the Brazilian Legal System, except for cases of environmental crimes. The criminal proceedings abovementioned are not result of environmental crimes apt to claim criminal liability of the corporate entity.

The Bank reinforces its commitment to society, clients and authorities and, for this purpose, the new Management is focused on adopting strict standards, mainly measures to strengthen governance and compliance, such as management, control, audit and transparency of information.

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Management hereby asserts that, through the date these financial statements were closed, there had been no updates or new information on the matter.

35. Operating limits

Regulatory capital required determined under the prevailing regulations is as follows:

RWA and Basel ratio	2022	2021
PR	196,079	169,707
Tier-I regulatory capital	168,656	169,707
Principal Capital	168,656	169,707
Tier-II regulatory capital	27,423	-
RWA Cpad - Credit	1,632,122	1,097,496
RWA Cam - Foreign exchange	591	456
RWA Trading - Interest, commodities, shares	1,264	115,328
RWA Opad - Operational	273,530	495,803
RWA – Total	1,907,507	1,709,083
Minimum regulatory capital	152,601	136,727
Basel ratio (regulatory capital / Total RWA)	10.28%	9.93%
Tier-I ratio (Tier-I regulatory capital/ Total RWA)	8.84%	9.93%
Principal Capital ratio (Principal Capital / Total RWA)	8.84%	9.93%

Basel Index, for the reference date December 31, 2022, determined in accordance with what is established in the Resolution 2.099/94, with amendments introduced by Resolutions 4.192/13 and 4.193/13, is 10.28% for the Financial Conglomerate.

The Bank is compliant with the requirements.

36. Provision of non-audit services and auditor's independence policy

In compliance with CMN Resolution 3.198, the Bank did not engage Grant Thornton Auditores Independentes to provide services related to the Bank other than the external audit services. The policy adopted complies with the principles that preserve the auditor's independence, according to prevailing standards, that mainly determine that the auditor should neither audit its own work nor exercise management functions in the client or pursue its interests.

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37. Other information

a) Nonrecurring profit or loss

	<u>2022</u>	<u>2021</u>
<u>Net profit for the year</u>	7,268	6,003
(-) <u>Nonrecurring profit or loss</u>		
Disposal of investments (CIP)	-	6,211
Dismissals and contingencies (Bank's restructuring)	(1,084)	(63)
Investigation process	(3)	(121)
Legal fees	(1,903)	(3,561)
Tax effects	1,345	(1,110)
Total nonrecurring profit or loss	(1,645)	1,356
<u>Recurring profit or loss</u>	<u>8,913</u>	<u>4,647</u>

b) Amendments to the bylaws

There were no amendments to bylaws during the year ended December 31, 2022.

38. Other matters

- 1) During 2022, the Bank made a partial payment of the 2022 profit sharing to its employees in the amount of R\$ 362, under the collective bargaining agreement.

The final payment of R\$ 815 was made on February 17, 2023.

- 2) Resolution CMN 4.966 – on concepts and accounting criteria applicable to financial instruments, as well as for the designation and recognition of hedge operations, replace, among other rules, the Resolution 2.682, Resolution 3.533, the Circular Letter 3.068, and the Circular Letter 3.082.

The Central Bank of Brazil (Bacen) will issue supplementary rules with detailing of information to be disclosed in explanation notes. The Resolution 4966 will be applied in a forward-looking manner on January 1st, 2025. With the issuance of Resolution 5.019 which requires preparation until December 31, 2022 of the implementation plan approved by the Bank's management. The document is at the disposal of BACEN in the regulatory deadline.

The Bank is assessing the application of such standard and the arising from the adoption and these assessments will be concluded until the standard's effective date.

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39. Events after the reporting period

As February 28, 2023, the Bank subject the request to adherence to the Programa de Redução de Litigiosidade Fiscal (PRLF), with pending analysis by the Federal Revenue, for the conclusion of adherence, as described in Note 34.c.

During the year 2022, it was instituted “Commitment Term” by BACEN, being in this case applied a fine of R\$ 4 million, paid on February 27, 2023, as well as preparation of the Action Plan with improvements in the Governance process.

From December 31, 2022 to the date these financial statements were approved for issue, no subsequent occurred that would require disclosure.

* * *

Marcelo de Toledo Guimarães
Chief Executive Officer

Marcelo Chacon Ruiz
Director

Ana Cristina Alves Afonso
Chief Accountant