(Convenience translation into English from the original previously issued in Portuguese)

BANCO PAULISTA S.A.

(CNPJ (Corporate Tax ID) No. 61.820.817/0001-09)

Independent auditor's report

Financial statements
As at December 31, 2020

BANCO PAULISTA S.A.

Financial statements
As at December 31, 2020

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

Disclaimer of opinion

We were engaged to audit the financial statements of Banco Paulista S.A. ("Bank"), which comprise the statement of financial position as at December 31, 2020, and the respective statements of operations, comprehensive income (loss), changes in equity and cash flows for the six-month period and year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

We do not issue an opinion on the financial statements of Banco Paulista S.A. given that due to the relevance of the matters described in the following section of this report "Basis for disclaimer of opinion," we were unable to obtain proper and sufficient audit evidence to support our audit opinion on these financial statements.

Basis for disclaimer of opinion

Investigations by the Federal Public Prosecutor's Office and the Federal Revenue Service

In view of the proceedings filed by the Federal Public Prosecutor's Office (MPF) in respect of the investigations conducted by federal government authorities related to the operation known as "Operação Lava Jato – Disfarces de Mamom" (Car Wash Operation – Disguises of Mammon), as presented in Note 2.c, the current Management of the Bank concluded an independent investigation into the service providers appointed in the proceedings filed by the Central Bank of Brazil ("BACEN") and MPF in order to identify possible violation of laws and regulations by its former executives and service providers related to such Operation. The investigation counted on an independent internal committee guiding the work of the team established for the investigation carried out by a law firm and risk consulting company, whose results are presented in Note 2.c. The investigation covered only the service providers included in the investigations conducted by federal government authorities, as certain service provision expenses arising from foreign exchange transactions carried out by the Bank did not present adequate and sufficient evidence to corroborate actual services rendered, and the identification of expenses without proper formalization in contracts, payments of expenses whose contracts did not stipulate the rationale for remuneration or percentage of commissions and absence of purchase orders or quotations referring to other suppliers, which resulted in an assessment of tax deficiency drawn up by the Brazilian Revenue Service (RFB) in the amount of R$ 55,586 thousand, whose adjusted balance as at December 31, 2020, corresponds to R$ 25,599 thousand, according to Note 16.a. RFB concluded its assessment on December 03, 2019, filing a new assessment of tax deficiency in view of the conclusion of its investigation, based on the disallowance of deductions made in the calculation of Income tax, Social Contribution Tax and Withholding Income Tax. In respect of this proceeding, the Bank filed an objection supported by its legal counselors, which considered the likelihood of loss for such disallowances remote and possible, as shown in Note 30.c and by the investigation conducted, which did not identify irregularities on those expenses. According to Note 2.c, on July 10, 2020, RFB issued a new assessment of tax deficiency, complementary to the second one, adjusting the assessment resulting from the inspection concluded on December 03, 2019, according to the percentage of the fine applied, for which the legal counselors have the same interpretation as the original assessment.

On September 10, 2020, the 74th phase of the Lava Jato operation was launched, aiming at operations carried out by the Bank with Petróleo Brasileiro S.A. and Petrobras Biocombustível S.A. (collectively referred to as "Petrobras") in the period from September 12, 2008, to March 18, 2011. The objective of this phase is to deepen investigations into possible illicit acts practiced in the foreign exchange areas of the parties involved, the Bank and the companies, in contracts that would have been entered into by the parties, leading to their supposed surcharges and to the freezing of the funds of executives involved in these operations. Management and its legal counselors understand that the freeze is sufficient to support any charges arising from surcharges, if they are proved, and that a provision for eventual contingencies is unnecessary. However, there was no position regarding any reimbursements that may be required by the companies involved, called Petrobras, and regarding whether any liabilities could be incurred, which is not possible to determine by means of alternative audit procedures. We emphasize that the independent investigations previously carried out by the Bank did not cover all the service providers and, mainly, the operations carried out with Petrobras, with the objective of investigating possible surcharges practiced, and Management has not initiated a new investigation into these matters or into any amounts involved. In this sense, we were unable to conclude as to the possible filing of a lawsuit for misconduct in office against the Bank and the resulting indemnity action, which could give rise to possible contingencies not recognized in the Bank's financial statements as at December 31, 2020. Consequently, we were unable to measure the possible effects of operations identified by this phase of Lava Jato, including the proper disclosure in the notes, which may also require or depend on other investigative procedures, not yet considered, as part of the whole investigation process.

Accordingly, the investigations conducted, for not having included all service providers and operations with Petrobras, may still require that other investigative procedures, not yet considered, be necessary as part of the whole process of investigation started. Additionally, it is not currently possible to estimate the future development of the investigations conducted by federal government authorities, which may include new sanctions, or its possible effects on the Bank's financial statements as at December 31, 2020, considering the stage they are currently in.

Civil investigation

As mentioned in Note 2.c, on October 30, 2020, BACEN's Administrative Sanctioning Process Decision Committee ("COPAS") unanimously decided to close Administrative Sanctioning Process No. PE 157096, which had been set up to verify the legality of foreign exchange operations for sale of foreign currency carried out by the Bank abroad, in exchange for Brazilian Reais in cash. However, MPF initiated civil inquiry No. 1.34.001.007268/2019-47 by means of Official Letter No. 13003/2020, in order to conduct its own investigation into these operations. The Bank's Management, supported by its legal counselors, evaluated that the MPF does not currently have sufficient elements to support the filing of a public civil action, and cannot ascertain the probability of a public civil action arising from this process. In addition, the aforementioned civil investigation is confidential, therefore, we did not have access to the case file. Accordingly, we were unable to conclude on the possible impacts of this investigation into the financial statements for the year ended December 31, 2020, including its disclosure in the notes, as well as on the need to recognize any contingent liabilities.

Confirmation letter replies (external confirmations) from and reconciliation with foreign financial institutions

Letters were sent to confirm operations conducted with other financial institutions as at December 31, 2020, and December 31, 2019, whose replies were not received in full. Accordingly, we were unable to conclude on the application of alternative audit procedures and on their possible impacts on the Bank's financial statements as at December 31, 2020.

Investment in controlled companies and affiliates

As mentioned in Note 11 to the financial statements, the Bank had an investment in the controlled company Singulare Corretora de Títulos e Valores Mobiliários S.A. ("Singulare" or "Investee Company") (previously named "SOCOPA – Sociedade Corretora Paulista S.A."), representing one hundred percent (100%) of the capital of that investee and, as described in Note 1, in an Extraordinary General Meeting held on February 06, 2020, the Bank's shareholders decided in favor of the reduction in the Bank's capital stock by means of restitution of the totality of the shares of Singulare to its individual shareholders, this operation having been ratified by BACEN on July 03, 2020. Accordingly, the Bank refunded the amount of R$ 60,000 thousand to its shareholders, corresponding to Singulare's equity as at December 31, 2019, whose financial statements were audited by us, and the corresponding audit report issued on August 12, 2020, qualified regarding: i) the investigation carried out by Management mentioned in the paragraph above entitled "Investigations by the Federal Public Prosecutor's Office and the Federal Revenue Service"; ii) cash and cash equivalents in foreign currencies with no adequate and sufficient audit evidence to issue an opinion; iii) confirmation letter replies issued by Brazilian financial institutions not fully received; iv) foreign exchange transactions for which the respective foreign exchange contracts and/or other appropriate and sufficient audit evidence were not presented to support the balances recorded; v) distribution of dividends in the amount of R$ 38,521 thousand with no sufficient balances of the reserve established by the Company's bylaws and the statutory reserve, in disagreement with Brazilian corporate law; vi) insufficient provision for contingencies referring to the balance payable to the Brazilian Securities and Exchange Commission (CVM), in the amount of R$ 1,118 thousand; vii) insufficient provision for contingencies in the amount of R$ 3,842 thousand; viii) inconsistencies in the study of recoverability of tax credits, recorded in the amount of R$ 4,102 thousand, which did not allow concluding on the adequate recognition of this asset; ix) inconsistency in the balance of asset and liability valuation adjustments, which is overstated by R$ 609 thousand; and x) inconsistency in the calculation of Corporate Income Tax and Social Contribution Tax, which are understated by R$ 1,426 thousand.

Thus, we were unable to evaluate the impacts of these matters in relation to the amounts of equity in earnings (losses) of controlled companies recorded as at December 31, 2019, and the amount used as a basis for capital reduction during the year ended December 31, 2020.

Confirmation letters on lending operations

According to Note 8 to the financial statements, as at December 31, 2020, the Bank is a party to lending operations totaling R$ 614,209 thousand. Letters were sent to confirm operations conducted with certain clients of the Bank and validate their balance. Until the date of conclusion of our audit, we were not provided with confirmation letter replies referring to operations totaling R$ 13,026 thousand, with the respective financial settlement of those operations, or else with internal controls that would allow us to conclude on these alternative audit procedures. Consequently, we were unable to conclude on the need for possible adjustments in the balances of lending operations as at December 31, 2020, and on their impact on the Bank's financial statements as at that date.

Calculation of tax credits

As mentioned in Note 26.b to the financial statements, the Bank has recorded tax credits in the amount of R$ 34,239 thousand, of which R$ 3,971 thousand did not have adequate and sufficient evidence to corroborate the recognition of this amount. Additionally, the study on the realization of tax credits carried out by Management determines the significant growth in revenues from credit operations in 2021 and 2022, in addition to the generation of taxable income. The results presented in the section on subsequent events do not allow us to conclude on the projected growth and past results do not match these projections, neither were the revenues and results projected for 2020 in 2019 confirmed. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to corroborate the assumptions used by the Bank. As a result, we were unable to conclude on the realization of tax credits according to the assumptions used by Management and possible impacts on the Bank's financial statements as at December 31, 2020.

Custody of assets and liabilities

According to Note 6b to the financial statements as at December 31, 2020, the Bank has Investment Fund Shares amounting to R$ 205,135 thousand, for which we were not provided with custody statements supporting the balance of R$ 17,034 thousand, and it was not possible to conclude on the correct presentation of these amounts by adopting alternative audit procedures. Consequently, we were unable to conclude on the effects of these operations and their impacts on the Bank's financial statements for the year then ended.

Losses on credit risk

According to Note 8.d to the financial statements as at December 31, 2020, the Bank recorded credit risk losses in the amount of R$ 9,169 thousand, of which R$ 4,340 thousand refer to credits overdue until December 31, 2019, as these operations did not have guarantees in that year. Management chose not to restate the financial statements for the year ended December 31, 2019, with the necessary corrections, as provided for in CPC 23 - Accounting Policies, Changes in Estimates and Correction of Errors, approved by the Brazilian Monetary Council (CMN) Resolution No. 4.007/11. As a consequence, income for the year ended December 31, 2020, is understated by R$ 4,340 thousand.

Asset and liability valuation adjustment

As at December 31, 2020, the Bank made positive adjustments to marketable securities recorded in equity at their market value in the amount of R$ 173 thousand. Our audit indicates that the appropriate amount of this adjustment is negative by R$ 3,918 thousand, net of tax effects. As a result, income (loss) for the six-month period and year ended December 31, 2020, is understated by R$ 4,091 thousand.

Deferral of fundraising commissions

As mentioned in Note 10 to the financial statements, the Bank has recorded the amount of R$ 3,700 thousand related to fundraising commission expenses in its noncurrent assets, which should be directly recorded in income (loss), as defined in Circular Letter 1.273/87 of BACEN. As a result, noncurrent assets, equity and income (loss) for the six-month period and year as at December 31, 2020, are overstated by that amount.

Administrative proceeding

As described in Notes 2.c and 30.d to the financial statements, BACEN filed an administrative proceeding on April 13, 2018, regarding irregularities in compliance with regulations established by that authority in conducting foreign exchange operations. In a trial taking place on August 03, 2020, a fine of R$ 9,753 thousand was levied, against which the Bank filed an appeal and on which its legal counselors concluded that there is still not sufficient information for disclosure or even determination of whether a provision for losses is required; thus, no provision was recorded in the financial statements as at December 31, 2020. Thus, if the fine is collected, equity and income (loss) for the year will be overstated by R$ 9,753 thousand.

Uncertainty as to going concern

As mentioned in Notes 1 and 2.c, as a result of the administrative proceeding filed by BACEN on April 13, 2018, and the investigation process filed by MPF on May 08, 2019, regarding the alleged involvement of the Bank in the investigation conducted by federal public authorities in the operation known as "Disguises of Mammon", the Bank discontinued its activities in the foreign exchange market as from April 2019, these operations having been responsible for a significant portion of the Bank's revenue from financial intermediation. Within the process of corporate restructuring, BACEN ratified the Bank's capital reduction on July 03, 2020, by means of transfer of the shares of its fully owned controlled company to shareholders and, as a result, the Bank no longer has the amount of equity in earnings (losses) of controlled companies obtained in previous years. These issues, in addition to the significance of the abovementioned matters, reported in Notes 8.d, 11, 12, 23, 25.b and 29.d, related to accounting procedures adopted by Management and carried out in disagreement with Brazilian accounting practices applicable to institutions authorized to operate by BACEN, and which were subject to the qualifications described, require Management to continue adopting measures to safeguard the Bank's capacity to continue as a going concern, at the risk of not being able to continue operating if such measures are not successful. Our opinion is not qualified in respect of this matter.

Emphasis

Related-party transactions

As mentioned in Note 27 to the financial statements, in the year ended December 31, 2020, the Bank recognized income from (loss on) assignments of court-ordered debt securities to related parties in the amount of R$ 6,826 thousand. These amounts could be different in the case of transactions carried out under market conditions or with third parties. Our opinion is not qualified in respect of this matter.

Shares in Equity Investment Funds (FIP)

As per Note 6.a to the financial statements, as at December 31, 2020, the Bank held shares in investment funds classified as trading securities in the amount of R$ 16,681 thousand, of which R$ 8,445 thousand refer to shares of Industrial Parks Brasil Fundo de Investimento em Participações Multiestratégia ("Investee Fund"). The Investee Fund is in the divestment phase, after approval of the extension of its term until November 18, 2020, in the Shareholders' General Meeting. Thus, the Investee Fund's going concern, in the coming years, depends on a new extension to be approved in the Shareholders' General Meeting. Our opinion is not modified in respect of this matter.

Other matters

Audit of corresponding amounts as at June 30, 2020

The Bank's financial statements for the six-month period ended June 30, 2020, were previously audited by us, and our report thereon, dated February 01, 2021, contained a disclaimer of opinion regarding the following matters:

> Independent investigations
>
> Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Investigations by the Federal Public Prosecutor's Office and the Federal Revenue Service";
>
> Civil investigation
>
> Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Civil investigation";
>
> Confirmation letter replies (external confirmations) from and reconciliation with foreign financial institutions
>
> Confirmations of operations held with other financial institutions as at June 30, 2020, were not received;
>
> Investments in controlled and associated companies
>
> Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Investments in controlled and associated companies";
>
> Allowance for loan losses
>
> Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "allowance for loan losses";
>
> "Calculation of tax credits

Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Calculation of tax credits";

Impairment of intangible assets

Qualification regarding "impairment of intangible assets", no longer required as at December 31, 2020;

Fines - Brazilian Securities and Exchange Commission (CVM)

Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Fines - CVM";

Asset and liability valuation adjustment

The Bank adjusted marketable securities recorded in equity to their market value in the amount of R$ 664 thousand, and our audits indicated that the value of this adjustment corresponds to R$ 5 thousand. As a result, income (loss) for the six-month period ended June 30, 2020, was understated by R$ 659 thousand;

Administrative proceeding

Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion," "Administrative proceeding".

Additionally, the audit report on the financial statements for the six-month period ended June 30, 2020, had the following going concern paragraphs and the same emphases of this report:

Audit of corresponding amounts as at December 31, 2019

The Bank's financial statements for the year ended December 31, 2019, were previously audited by us, and our report thereon, dated July 30, 2020, was qualified regarding the following matters:

Independent investigations

Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Investigations by the Federal Public Prosecutor's Office and the Federal Revenue Service";

Presentation of consolidated financial statements

Management did not present the Bank's consolidated financial statements. Therefore, these financial statements must be read in conjunction with the controlled company's financial statements. These statements are no longer required for the year ended December 31, 2020, as the Bank no longer has investments in controlled companies;

Confirmation letter replies (external confirmations) from and reconciliation with foreign financial institutions

Confirmations of operations held with other financial institutions as at December 31, 2019, were not received.

Loss on closing of foreign exchange operating activities

Losses recognized as an offset against income in several accounting items related to the closing of foreign exchange operating activities, resulting in losses of R$ 10,293 thousand, for which no adequate and sufficient documentation and controls were presented that would enable us to conclude on this procedure, as well as on the proper accrual period of these operations.

Tax credits from previous years

Recognition of tax credits in the amount of R$ 12,810 thousand, of which R$ 2,780 thousand refer to credits from operations prior to 2019, which Management did not restate as required by CPC 23 - Accounting Policies, Changes in Estimates and Correction of Errors, approved by CMN Resolution No. 4.077/11;

Investment in controlled companies and affiliates

These refer to investments of the Bank in the controlled company Singulare Corretora de Titulos e Valores Mobiliários S.A. (formerly denominated "SOCOPA - Sociedade Corretora Paulista S.A.") ("Investee Company"). The Investee Company has not completed the audit of its financial statements until the date of issue of our report, thus, we were unable to conclude on the proper presentation of this investment, in the amount of R$ 63,783 thousand, and of equity in earnings (losses) of controlled companies, in the amount of R$ 870 thousand, as at December 31, 2019;

Calculation of tax credits

Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Calculation of tax credits";

Payment of interest on equity capital

The Bank paid interest on equity capital in the amount of R$ 4,539 thousand. However, the Bank did not present any profit for the year or balance of reserves that would enable the payment of interest on equity capital. In addition, the qualifications described in the report indicated that the income (loss) for the six-month period and for the year ended December 31, 2019, were overstated. Accordingly, the balance of the statutory reserve was not properly presented;

Impairment of intangible assets

Qualification regarding "impairment of intangible assets", no longer required as at December 31, 2020;

Allowance for loan losses

The Bank had an allowance for loan losses in the amount of R$ 24,912 thousand, while our audit pointed to the amount of R$ 29,252 thousand, indicating an understatement of R$ 4,340 thousand, due to the lack of guarantees to operations and considering that they were fully provisioned by means of subsequent events. Consequently, as at December 31, 2019, assets, equity and income (loss) for the six-month period and for the year are overstated by R$ 4,340 thousand.

Fines - CVM

Qualification regarding the same matter described above in the section "Basis for disclaimer of opinion", "Fines - CVM";

Asset and liability valuation adjustment

The Bank recognized an adjustment as revenue related to the fair value of marketable securities available for sale in the amount of R$ 2,983 thousand, resulting from securities traded and settled before 2019. As a result, income (loss) for the six-month period and for the year ended December 31, 2019, were overstated by R$ 2,983 thousand;

Loss on derivatives

In the six-month period ended December 31, 2019, the Bank recognized loss on derivative financial instruments in the amount of R$ 13,282 thousand, of which R$ 3,547 thousand refer to expenses incurred in the six-month period ended June 30, 2019. As a result, income (loss) for the six-month period ended December 31, 2019, was understated by R$ 3,547 thousand.

Additionally, the audit report on the financial statements for the year ended December 31, 2019, had the same emphases of this report.

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

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applicable to the institutions authorized by the Central Bank of Brazil to operate 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, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Brazilian and international accounting practices and to issue an audit report on such statements.

However, due to the matters described in the section "Basis for disclaimer of opinion," we were unable to obtain proper and sufficient audit evidence to support our audit opinion on these financial statements.

We are independent of the Bank in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Council of Accounting (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards.

The accompanying financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, April 12, 2021.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Paulo Sérgio Barbosa
Accountant CRC 1 SP 120359/O-8

Banco Paulista S.A.

Statements of financial position
As at December 31, 2020 and 2019
(In thousands of Brazilian Reais)

	Notes	2020	2019
Assets			
Current		**624,548**	1,165,786
Cash and cash equivalents	**4**	**1,512**	26,490
Financial instruments		**622,677**	1,109,647
Short-term interbank investments	**4/5**	123,696	663,398
Investments in interbank deposits	**5**	3,017	1,808
Marketable securities	**6**	157,700	118,456
Derivative financial instruments	**7**	-	3,247
Interbank relations		17,991	17,996
Lending operations – Private sector	**8**	244,866	214,715
Securities and receivables from credit granting	**8**	74,705	60,325
Securities and receivables with no relation to credit granting		25	26
Foreign exchange portfolio	**9**	-	24,879
Trading account		677	4,797
Allowance for loan losses on credit risk		**(4,593)**	(10,998)
(-) Lending operations	**8**	(3,846)	(10,300)
(-) Securities and receivables from credit granting	**8**	(747)	(603)
(-) Securities and receivables with no relation to credit granting		-	(95)
Other assets		**4,952**	40,647
Prepaid expenses		42	135
Assets not for own use		3,381	2,525
Sundry	**10**	1,529	37,987
Noncurrent		**708,959**	873,577
Financial instruments		**619,513**	775,141
Marketable securities	**6**	291,720	473,385
Lending operations – Private sector	**8**	285,624	291,986
Securities and receivables from credit granting	**8**	9,014	-
Securities and receivables with no relation to credit granting		33,155	9,770
Allowance for loan losses on credit risk		**(4,908)**	(14,009)
(-) Lending operations	**8**	(4,486)	(14,009)
(-) Securities and receivables from credit granting	**8**	(90)	-
(-) Securities and receivables with no relation to credit granting		(332)	-
Tax credits	**26b**	**34,249**	33,979
Other assets		**50,253**	4,352
Sundry	**10**	50,253	4,352
Investments		**3,006**	66,335
Ownership interest in Brazilian controlled companies and affiliates	**11**	-	63,783
Other investments		3,258	2,804
(-) Valuation allowances		(252)	(252)
Fixed assets		**1,387**	1,846
Land and buildings in use		957	957
Other fixed assets		5,838	7,116
(-) Accumulated depreciation		(5,408)	(6,227)
Intangible assets		**5,459**	5,933
Intangible assets	**12**	9,281	9,192
(-) Accumulated amortization	**12**	(3,822)	(3,259)
Total assets		**1,333,507**	2,039,363

	Notes	2020	2019
Liabilities			
Current		**648,152**	1,377,276
Deposits and other financial instruments		**632,880**	1,339,075
Deposits	**13**	377,769	358,891
Open market funding	**14**	89,131	867,120
Funds from acceptance and issue of securities	**15**	124,688	29,602
Borrowings and onlending	**15**	6,701	7,218
Derivative financial instruments	**7**	1,961	-
Interbranch and interbank accounts		576	608
Foreign exchange portfolio	**9**	-	13,123
Trading account		-	62,513
Subordinated debts	**15**	32,054	-
Provisions		**4,920**	6,797
For payments to be made		3,987	5,983
For financial guarantees offered	**29**	933	814
Other liabilities		**10,352**	31,404
Collection of taxes and other contributions		5	1
Tax and social security	**16a**	10,148	11,621
Social and established by the Company's bylaws		-	681
Sundry	**16b**	199	19,101
Noncurrent		**502,095**	452,787
Deposits and other financial instruments		**479,630**	422,616
Deposits	**13**	426,241	293,344
Funds from acceptance and issue of securities	**15**	53,389	98,209
Subordinated debts	**15**	-	31,063
Provisions		**2,765**	3,477
For payments to be made		-	60
For contingent liabilities	**30b**	2,765	3,417
Other liabilities		**19,700**	26,694
Tax and social security	**16a**	19,700	26,694
Equity		**183,260**	209,300
Capital stock – Brazilian residents	**17**	184,300	206,300
Income reserves		-	1,218
Market value adjustment – marketable securities and derivatives		173	1,782
Accumulated losses		(1,213)	-
Total liabilities		**1,333,507**	2,039,363

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

Banco Paulista S.A.

Statements of operations
For the six-month period ended December 31, 2020, and for the years ended December 31, 2020, and 2019
(In thousands of Brazilian Reais, except earnings per thousand shares)

	Notes	2nd half	Years 2020	Years 2019
Trading revenues		**30,154**	**83,447**	253,021
Lending operations	**8h**	18,298	44,152	62,805
Income from interbank investments and marketable securities		10,999	34,068	84,299
Income from (loss on) derivatives	**7d**	921	(3,164)	(1,038)
Exchange rate gains (losses)		(64)	8,391	106,955
Trading expenses		**(16,798)**	**(47,988)**	(150,568)
Fundraising operations	**18**	(16,008)	(41,187)	(112,199)
Borrowings and onlending		-	(4,327)	(24,304)
Allowance for loan losses	**8e**	(790)	(2,474)	(14,065)
Gross trading profit		**13,356**	**35,459**	102,453
Other operating revenues (expenses)		**(20,507)**	**(37,221)**	(116,119)
Service revenues	**19**	1,841	4,385	3,762
Income from banking fees	**19**	18,786	42,847	59,254
Personnel expenses	**20**	(21,484)	(42,479)	(76,795)
Administrative expenses	**21**	(17,148)	(32,775)	(83,733)
Tax expenses	**23**	(4,246)	(9,348)	(14,791)
Equity in earnings (losses) of controlled companies		-	-	(870)
Provision expenses	**22**	(1,651)	(2,909)	(2,845)
Other operating revenues	**24**	9,449	17,106	31,369
Other operating expenses	**25**	(6,054)	(14,048)	(31,470)
Operating income (loss)		**(7,151)**	**(1,762)**	(13,666)
Nonoperating income(loss)		**38**	**(164)**	1,935
Income (loss) before taxes on income and profit sharing		**(7,113)**	**(1,926)**	(11,731)
Income and Social Contribution taxes	**26**	**2,617**	**(141)**	12,170
Provision for Income Tax		2,631	220	(598)
Provision for Social Contribution Tax		1,986	97	(42)
Deferred tax assets		(2,000)	(458)	12,810
Profit sharing		**(121)**	**(364)**	(3,759)
(Loss) for the six-month period/years		**(4,617)**	**(2,431)**	(3,320)
(Loss) per thousand shares – R$		**(10,88)**	**(5,73)**	(11,14)

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

Banco Paulista S.A.

Statements of comprehensive income (loss)
For the six-month period ended December 31, 2020, and for the years ended December 31, 2020, and 2019

(In thousands of Brazilian Reais, except earnings per thousand shares)

,		Years	
	2nd half	**2020**	2019
Loss for the six-month period and years	**(4,617)**	**(2,431)**	(3,320)
Other comprehensive income (loss)	**(491)**	**(1,609)**	(1,575)
Financial instruments available for sale	(799)	(2,654)	(2,627)
Income and Social Contribution taxes	308	1,045	1,052
Comprehensive loss for the six-month period and years	**(5,108)**	**(4,040)**	(4,895)

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

Banco Paulista S.A.

Statements of changes in equity
For the six-month period ended December 31, 2020, and for the years ended December 31, 2020, and 2019

(In thousands of Brazilian Reais)

					Income reserves				
	Capital stock	**Capital increase**	**Unpaid Capital**	**Capital reduction**	**Statutory reserve**	**Reserve established by the Bank's bylaws**	**Market value adjustment**	**Retained earnings/ accumulated losses**	**Total**
Balances as at December 31, 2018	**193,500**	**12,800**	-	-	**9,077**	**-**	**3,357**	**-**	**218,734**
Transfer for capital increase	12,800	(12,800)	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	(3,320)	(3,320)
Statutory reserve	-	-	-	-	719	-	-	-	719
Reserve established by the Bank's bylaws	-	-	-	-	-	13,654	-	-	13,654
Interest on equity capital	-	-	-	-	-	(4,539)	-	-	(4,539)
Market value adjustment – marketable securities and derivatives	-	-	-	-	-	-	(1,857)	-	(1,857)
Market value adjustment – marketable securities and derivatives – Controlled company	-	-	-	-	-	-	282	-	282
Absorption of losses on reserves	-	-	-	-	(8,578)	(9,115)	-	3,320	(14,373)
Balances as at December 31, 2019	**206,300**	**-**	**-**	**-**	**1,218**	**-**	**1,782**	**-**	**209,300**
Changes for the year	12,800	(12,800)	-	-	(7,859)	-	(1,575)	-	(9,434)
Balances as at December 31, 2019	**206,300**	**-**	**-**	**-**	**1,218**	**-**	**1,782**	**-**	**209,300**
Capital increase	38,000	-	-	-	-	-	-	-	38,000
Capital reduction	(60,000)	-	-	-	-	-	-	-	(60,000)
Loss for the year	-	-	-	-	-	-	-	(2,431)	(2,431)
Market value adjustment – marketable securities and derivatives	-	-	-	-	-	-	(1,609)	-	(1,609)
Absorption of losses on reserves	-	-	-	-	(1,218)	-	-	1,218	-
Balances as at December 31, 2020	**184,300**	**-**	**-**	**-**	**-**	**-**	**173**	**(1,213)**	**183,260**
Changes for the year	(22,000)	-	-	-	(1,218)	-	(1,609)	(1,213)	(26,040)
Balances as at June 30, 2020	**206,300**	**38,000**	**(19,000)**	**(60,000)**	**1,327**	**2,077**	**664**	**-**	**169,368**
Transfer for capital increase	38,000	(38,000)	-	-	-	-	-	-	-
Unpaid capital	-	-	19,000	-	-	-	-	-	19,000
Capital reduction	(60,000)	-	-	60,000	-	-	-	-	-
Loss for the six-month period	-	-	-	-	-	-	-	(4,617)	(4,617)
Market value adjustment – marketable securities and derivatives	-	-	-	-	-	-	(491)		(491)
Absorption of losses on reserves	-	-	-	-	(1,327)	(2,077)	-	3,404	-
Balances as at December 31, 2020	**184,300**	**-**	**-**	**-**	**-**	**-**	**173**	**(1,213)**	**183,260**
Changes for the six-month period	(22,000)	(38,000)	19,000	60,000	(1,327)	(2,077)	(491)	(1,213)	13,892

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

Banco Paulista S.A.

Statements of cash flows - indirect method

For the six-month period ended December 31, 2020, and for the years ended December 31, 2020, and 2019

(In thousands of Brazilian Reais)

		Years	
	2nd half	**2020**	2019
Adjusted net income (loss) for the six-month period/years	**(1,385)**	**2,598**	(398)
Loss for the six-month period and years	**(4,617)**	**(2,431)**	(3,320)
Adjustments to reconcile net income with net cash	**3,232**	**5,029**	2,922
Allowance for loan losses (Note 8e)	790	2,474	14,065
Provisions for deferred Income and Social Contribution taxes	2,000	458	(12,810)
Depreciation and amortization (Note 24)	466	901	1,140
Equity in earnings (losses) of controlled companies (Note 11)	-	-	870
Monetary adjustment of court deposits	(32)	(70)	(128)
Reversal of provision for civil, tax and labor risks	(1,643)	(1,643)	(1,950)
Reversals of court deposits	6	42	156
Provisions for contingencies	342	1,245	1,712
Provision for pledges	67	126	(133)
Provisions for assessment of tax deficiency by RFB (Note 16a)	1,496	1,496	-
Other monetary adjustments	(260)	-	-
Changes in assets and liabilities			
(Increase) in investments in interbank deposits	(1,010)	(1,209)	(302)
(Increase) decrease in marketable securities	(37,846)	140,812	(88,057)
Decrease (Increase) in interbranch and interbank accounts	1,219	(27)	(96,309)
(Increase) in lending operations	(60,193)	(42,240)	(39,709)
(Increase) decrease in other assets	(4,435)	(10,177)	48,481
(Decrease) increase in trading account	(22)	(58,393)	3,203
Decrease (increase) in derivative financial instruments	12,651	5,208	(1,026)
Decrease (increase) in tax credits	106	(728)	(7,990)
(Increase) decrease in securities and receivables	(58,939)	(46,307)	13,619
Decrease (increase) in foreign exchange portfolio	-	11,756	(5,915)
Increase (decrease) in deposits	151,096	151,775	(375,817)
(Decrease) in market funding operations	(445,211)	(777,989)	(327,922)
Increase (decrease) in other liabilities	(2,707)	(19,579)	128,545
(Decrease) in tax and social security obligations	(4,763)	(9,963)	(30,334)
(Decrease) in provisions	(5,450)	(2,318)	(18,530)
Net cash from operating activities	**(456,889)**	**(656,781)**	(798,461)
Cash flows from investing activities			
Acquisitions of fixed assets	(130)	(130)	(1,031)
Investments in intangible assets	(87)	(88)	652
Disposals of fixed assets	-	250	53
Additions to investments	3,523	3,329	(474)
Write-off of investments	-	-	38,521
Receipt of dividends	-	-	(430)
Net cash from investing activities	**3,306**	**3,361**	37,291
Cash flows from financing activities			
Capital increase (Note 17a)	19,000	38,000	-
Interest on equity capital	-	-	(4,539)
(Decrease) in borrowings and onlending	(117)	(517)	(36,450)
Increase in funds from acceptance and issue of securities	56,939	50,266	30,267
Increase in subordinated debts	361	991	2,003
Net cash from financing activities	**76,183**	**88,740**	(8,719)
(Decrease) in cash and cash equivalents	**(377,400)**	**(564,680)**	(769,889)
Cash and cash equivalents			
Cash and cash equivalents at beginning of six-month period and years (Note 4)	502,608	689,888	1,459,777
Cash and cash equivalents at end of six-month period and years (Note 4)	125,208	125,208	689,888
	(377,400)	**(564,680)**	(769,889)

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

1. Operations

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

Until 2019, the Bank's operations were conducted through an integrated group of institutions participating in the financial market. Certain operations had joint participation or intermediation of its former controlled company Singulare Corretora de Títulos e Valores Mobiliários S.A. ("Singulare") (previously denominated "SOCOPA - Sociedade Corretora Paulista S.A.) and of other companies belonging to the controlling shareholders. However, as from the corporate restructuring involving the Bank and Singulare, described below, Singulare is no longer part of this integrated group of institutions.

On February 06, 2020, in the Extraordinary General Meeting then held, the shareholders decided on the corporate restructuring of the Bank, reducing its capital stock, with no cancellation of shares and refund of the totality of shares of Singulare Corretora de Títulos e Valores Mobiliários S.A. to its shareholders, maintaining the percentage of ownership interest of the current shareholders in the capital stock of the Bank.

The purpose of the capital stock reduction is to make the corporate structures of the Bank and Singulare independent by the transfer of the totality of shares issued by Singulare to the shareholders, resulting in the company no longer being a wholly owned controlled company of the Bank, and considering the following sequence of events:

- Singulare reduced its capital by R$ 3,783, with no cancellation of shares and refund to Banco Paulista of the corresponding amounts;

- The Bank reduced its capital stock by R$ 60,000, with no cancellation of shares, refund of the totality of shares of Singulare to its shareholders, and maintaining the percentage of ownership interest of the current shareholders in the capital stock of the Bank;

- The Bank's capital increase was decided on, in the amount of R$ 38,000, fully subscribed by the shareholder Álvaro Augusto Vidigal, of which R$ 19,000 was paid-in on February 13, 2020, and the remainder, equivalent to R$ 19,000, on July 03, 2020, in domestic currency.

These decisions were approved by the Central Bank of Brazil (BACEN) through Official Letter No. 12.778/2020 - BCB/Deorf/GTSP1 on July 03, 2020.

In view of the matter described in Note 2 below, in the second half of 2019, the Bank ceased its foreign exchange operations and carried out an administrative and governance restructuring with focus on its lending portfolio and rendering of services besides constantly seeking new business opportunities based on market expectations, for having adequate structure for such, which cannot currently be defined by Management.

Considering the relevance of the matters referred to above, Management continues to adopt immediate measures intended to safeguard its going-concern capacity, such as adjusting its organizational structure, due to the discontinuity of foreign exchange operations, at the risk of losing such capacity if unsuccessful in its measures.

2. Presentation of the financial statements

a) The financial statements have been prepared and are being presented in accordance with Brazilian accounting policies applicable to the financial institutions authorized to operate by BACEN, in compliance with the regulations established in the Accounting Chart for Institutions of the National Financial System (COSIF), regulations of the Brazilian Monetary Council (CMN) and BACEN and with the provisions of Brazilian Corporate Law.

   Management makes accounting estimates considering factors and assumptions established based on its judgment. Significant items subject to these estimates and assumptions include provisions for the adjustment of assets to their realization or recoverable value, allowance for losses, provisions for contingencies, mark-to-market of financial instruments, deferred taxes and others. Transaction settlement involving those estimates may result in values different from estimates due to the inherent inaccuracy of the process, and such estimates are periodically reviewed.

   In order to gradually reduce the differences in the disclosure of financial statements under the accounting standards of COSIF in comparison with the International Financial Reporting Standards (IFRS), the Central Bank of Brazil, by means of BCB Resolution No. 2/2020, set forth new procedures for the preparation and disclosure of financial statements. The main changes implemented refer to the accounts of the Statement of financial position which are presented according to liquidity and enforceability order; the balances of the Statement of financial position for the period are presented in comparison with those of the end of the immediately prior fiscal year and the other statements are compared with the same periods of the prior fiscal year for which they were presented; inclusion of information on recurring and non-recurring results; and inclusion of the Statement of Comprehensive Income. The amendments implemented by the new standards did not affect Net Income or Equity.

The main changes implemented refer to the accounts of the Statement of financial position, which are presented according to liquidity and enforceability, this procedure having been applied to the financial statements for the previous period, presented for comparison purposes.

Management declares that the disclosures of the financial statements evidence all relevant information used in its management and that the accounting practices were consistently applied between the periods.

In view of the process of conversion to the international accounting standards, pronouncements, guidelines and interpretations issued by the Committee of Accounting Pronouncements (CPC), approved by CMN and BACEN, are adopted when effective.

The financial statements were approved on April 09, 2021.

b) These financial statements are being presented in Brazilian Reais, which is the functional currency of the Bank. All financial information presented in Brazilian Reais was converted to thousands, unless otherwise stated.

c) For concluding the analyses of the financial statements for the year ended December 31, 2020, it is necessary to mention the following facts that were mostly object of consideration in the preparation of the financial statements as at December 31, 2019, and June 30, 2020:

- On April 13, 2018, an administrative proceeding was initiated by BACEN, in which the Bank's statements and disputes were presented. In August 2020, BACEN judged the proceeding and decided on a monetary fine (see Note 30).

- On February 08, 2018, an assessment by the Brazilian Revenue Service (RFB) was started, resulting in the Bank being assessed for tax deficiency by the end of 2018, in relation to Corporate Income Tax (IRPJ), Social Contribution Tax (CSLL) and Withholding Income Tax (IRRF) referring to Administrative Proceeding No. 16327-721.025/2018-35 filed for the reason of disallowance of expenses included in the tax base of those taxes. The debt was agreed to be paid in installments as formalized with the RFB and it is being paid regularly (see Note 16.a and 30.c);

- On May 08, 2019, the Bank was a target of the 61st phase of “Operação Lava Jato” (Operation Car Wash), named “Disfarces de Mamom”, in which the Federal Public Prosecutor’s Office (MPF) and the Federal Police investigate money laundering through foreign exchange operations related to members of the “Structured Operations Sector” of Grupo Odebrecht, which resulted in a search and seizure raid at the headquarters of the Bank to identify possible irregular service contracts. Until the conclusion of these financial statements, there was no new decision or requirement from that body;

- In December 2019, as per Note 30.c, the assessment by RFB was concluded. Despite the conclusion of the inspection, in July 2020, Management became aware of a complementary assessment of tax deficiency, in which RFB, for having wrongly applied the fine in the original tax assessment of December 2019, filed this supplementary tax assessment, for which the Bank has already filed objections;

- In July 2020, BACEN approved a corporate restructuring involving the Bank and Singulare, as described in Note 1.

- In September 2020, the Bank was once more targeted by the Lava Jato operation, in its 74th phase, being subject to a survey and seizure of data related to foreign exchange operations carried out with Petrobras, in the period from 2008 to 2011, with the allegation that they were carried out with a surcharge, regarding which Banco Paulista readily made itself available to provide elucidations and the necessary information. So far, nothing concrete has been determined and, for this reason, the legal body of the Bank has not been engaged and the operations and their possible effects have not been analyzed.

- In October 2020, BACEN unanimously decided to close administrative sanctioning process No. 157096 that had been initiated to verify the legality of foreign exchange transactions carried out by Banco Paulista abroad in exchange for Brazilian Reais in cash.

- On that same subject, in a civil proceeding, MPF sent a letter requesting elucidations from the Bank, which presented a timely statement about the unanimous termination of the abovementioned administrative sanctioning process.

  The current Management of Banco Paulista is unaware of the investigated operations and restates that the Bank has always been guided by legality and follows all the rules and guidelines of BACEN.

Considering the events described, the Bank's Management discharged and dismissed directors and employees involved in the denunciation and decided to establish an Investigation Committee, formed by the law firm Felsberg Advogados, and by independent and Bank members, to supervise and conduct an investigation into the operations object of the 61st phase of the "Lava Jato operation", denominated "Disfarces de Mamom", concerned with the secrecy of all information, documents and reports generated by the investigation team. This investigation did not cover all the operations carried out by the foreign exchange department, nor the operations carried out with Petrobrás.

On March 26, 2020, the law firm Felsberg Advogados issued a Final Report on the investigative process presenting in detail all the bases and data gathered for the conclusion of the investigation.

In brief, the report presents the following data:

- The objective was to verify information on specific transactions conducted between Banco Paulista and third parties, considering all companies included in the proceedings filed by MPF, BACEN and RFB that occurred between January 2007 and May 2019;
- Related documents were analyzed, including electronic messages, financial proposals, contracts, opinions, reports, access through turnstiles to the building where the Bank's headquarters are located, and others;
- Forensics collection services were performed allowing the recovery and analysis of a significant volume of data from different sources of electronic data, including personal computers, servers, mobile phones, and others, as well the analysis of mass denouncements;
- Accounting and finance analyses were made with the identification of the amounts paid to the main entities involved and comparison with the allegations from the MPF;
- Interviews with key employees part of the staff at the time were also conducted, according to their possible participation in the cases under analysis, in addition to legal entities and natural persons considered for the purpose of background check.

The report also shows that during the investigative process, it was possible to verify a series of mitigation measures taken by the Bank, such as:

- Review of the governance system;
- Creation of an Ethics Channel;
- Hiring of independent consulting companies and new professionals to reinforce the departments;
- System for monitoring of transactions; and
- New internal procedures for obtaining and checking information from clients, suppliers and partners.

We highlight that the issue of the Final Investigation Report, including the group of denounced companies, brought no indication of new cases, in addition to those publicly known and object of the assessment of tax deficiency mentioned in Note 16.a and of the 74th phase of the Lava Jato operation, which leads to the conclusion that the Bank faced a specific issue, restricted to the foreign exchange department.

the Bank's Management and its legal counselors understand that, until the disclosure of these Financial Statements, there are no elements, facts or circumstances that input to the Bank, due to the import of currencies and the 74th phase of the Lava Jato operation, any contingency that justifies the provisioning of any amount, considering that:

- The Bank was not subject to coercive measures in the ongoing criminal proceedings;

- In these proceedings, when any possible damage was noted in the records, the assets of the natural persons mentioned were frozen;

- In order for the filing of a public civil action for misconduct in office in relation to the operations of importing foreign currency or to those involving PETROBRÁS to be applicable, it would be necessary to prove the existence of an illegal act causing damages. Considering the unanimous termination of the administrative sanctioning process by BACEN, the likelihood of an unfavorable decision on a public civil action for misconduct in office is considered remote.

The Bank reaffirms its commitment with society, clients and authorities and, to that end, the new Management maintains its focus on the adoption of severe measures, particularly measures for the strengthening of governance and Compliance, such as management, control, audit and transparence of information.

3. Summary of significant accounting practices

a) Results of operations

Revenues and expenses are recognized on the accrual basis, considering the pro rata basis for financial revenues and expenses. Fees and commissions received are recognized over the period in which services are rendered (on an accrual basis).

Financial revenues and expenses are calculated based on the compound interest rate method. Operations with fixed rates are recorded at the redemption value and the corresponding future revenues and expenses are recognized as a reduction of the respective assets and liabilities. Operations bearing interest at floating rates are restated up to reporting date based on agreed-upon rates. Fees and commissions arising from third-party transactions, such as brokerage, are recognized upon completion of service or operation.

b) Cash and cash equivalents

Cash and cash equivalents, as per Resolution No. 3.604/08, include money in cash, bank deposits and highly liquid short-term investments, with an immaterial risk of change in value and limits, and maturing within 90 days from the investment date.

c) Financial instruments

Short-term interbank investments

Fixed rate investments are stated at redemption value, less unearned income, whereas floating rate investments are recorded at cost plus income earned through the reporting date, less valuation allowance, when applicable.

Repurchase agreements are classified according to their maturity term, regardless of the term of the securities backing such transactions.

Marketable securities and derivative financial instruments

As established by Circular letter No. 3.068/01, marketable securities part of a portfolio are classified into three different categories, according to Management's intention, as follows:

Trading securities: these are presented in current assets, regardless of the respective maturity dates, comprising securities intended to be actively and frequently traded. They are stated at market value and valuation gains or losses recorded in income (loss).

Available-for-sale securities: these are securities not acquired for frequent trading and used for purposes such as recognizing a liquidity reserve, providing guarantees and hedging against risks. Income earned based on acquisition rates as well as any permanent losses thereon are recorded in income (loss). These securities are carried at market value and their appreciation or devaluation is matched against a specific account in equity (net of tax effects) and transferred to income (loss) upon realization thereof.

Held-to-maturity securities: these are securities acquired for which Management has the intention and financial capacity to hold until maturity. They are stated at acquisition cost, plus income earned. Any permanent losses are immediately recorded in income (loss).

Derivative financial instruments comprising future, forward and swap operations are recorded in accordance with the following criteria:

- *Futures contract* – the amounts from market adjustments are daily accounted for in asset and liability accounts and daily recognized as revenue or expense;
- *Forward contract* – at the final value of the contract deducted from the difference between this value and the market value of the asset or right, recognizing revenues or expenses resulting from the flow of these contracts up to reporting date;
- *Swap contracts* – the difference receivable or payable is accounted for at market value in an asset or liability account, respectively, and recognized as revenue or expense, on a pro rata basis, up to reporting date.

Derivative transactions, not considered for hedge accounting, are stated at market value, at reporting date, recording the appreciation or devaluation in a specific revenue or expense account in income (loss) for the period.

Lending operations and losses on credit risk

Loans and financing and other credits (credit assignment without joint obligation) are recorded at present value, calculated on a daily pro rata basis based on the index variation and agreed-upon interest rate, to be restated up to the sixtieth day of delay, observing the expectation of receipt.

Loans are classified according to Management’s judgment as to their underlying risk level taking into consideration the economic situation, past experience and specific risks related to the operation, debtors and guarantors, in accordance with the parameters established by Resolution No. 2.682/99, which requires regular analyses of the portfolio and its grading into 9 rating levels, from “AA” (minimum risk) to “H” (loss).

Receivables from loans that are 60 days or more past due, regardless of the underlying risk level, are only recognized as income upon effective receipt.

Loan transactions rated “H” remain rated as such for 180 days, when they are charged against the existing allowance and controlled in memorandum accounts for at least 5 years, no longer appearing in the statement of financial position.

Renegotiated transactions are kept at least at the same level in which they had been rated before renegotiation. Loan renegotiation that had already been written off against the respective allowance, and controlled in memorandum accounts, are rated as “H” and any gains therefrom will only be recognized as income when effectively received.

The Bank opted for “double counting of terms” as prescribed in BACEN Resolution No. 2.682/99 to determine the risk level for above-36-month-term operations. The allowance for loan losses, deemed sufficient by Management, meets the requirements set forth in Resolution No. 2.682/99, as described in Note 8.

CMN Resolution No. 4.803, later amended by CMN Resolution No. 4.855 mentioned above, allowed Financial Institutions to once again classify operations renegotiated between March 01 and December 31, 2020, at their level as at February 29, 2020 (wording given by resolution 4.855), not including those operations with a delay equal to or greater than fifteen days as at February 29, 2020, with evidence that the obligation will not be honored under the new agreed conditions.

CMN Resolution No. 4.855 of September 24, 2020, which came into force on January 01, 2021, determines that, regarding the criteria for recognition of a provision for operations carried out within the scope of programs established for the purpose of dealing with the effects of the COVID-19 pandemic on the economy, wherein funds or risks are shared between the Federal Government and the participating institutions or guarantees are provided for by the Federal Government, the percentages defined in Resolution No. 2.682 shall be applied only to the book value of the operation, whose credit risk is held by the institution. In cases of transfer for loss, the amount recognized in offset accounts shall be 100% of the balance of the operation.

The Bank did not apply the criteria provided for in resolutions No. 4.803 and No. 4.855 during 2020.

<u>Foreign exchange operations</u>

These are stated at their realization value, including earnings (on a pro rata basis), exchange rate gains (losses), and the recognition of estimated losses, when applicable, as per Resolution No. 2.682/99. These operations were discontinued during the second half of 2019, as described in Note 1.

d) Investments

Due to the corporate restructuring involving the Bank and its wholly-owned controlled company Singulare as described in Note 1, the Financial Statements are being presented individually and because the base date of the statements of financial position used being that of December 31, 2019, in the six-month period of 2020 there was no recognition of equity in earnings (losses) of controlled companies.

Other investments are stated at cost, net of valuation allowance, when applicable.

e) Fixed and intangible assets

These refer to rights to both tangible and intangible assets intended for the maintenance of the Company's activities or exercised for such purpose.

Fixed asset items (tangible assets) are stated at acquisition cost. Depreciation of fixed assets is calculated by the straight-line method at the rates of 20% p.a. for vehicles and EDP systems and 10% p.a. for the other items.

Intangible assets represent acquired rights whose subject matters are items that lack physical substance and are used for the Company's maintenance or exercised to that end. They are stated at acquisition cost, net of accumulated amortization. Intangible assets having a finite useful life are amortized based on their effective use or by a method which reflects their economic benefits, whereas those with an indefinite useful life are annually tested for impairment.

f) Impairment of nonfinancial assets

The accounting recognition of an asset shall demonstrate events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of its recoverable value. When such evidence is identified and the net book value exceeds recoverable value, an impairment charge is recognized by adjusting the net book value. These provisions are recognized in income (loss) for the period/year, as provided for by Resolution No. 3.566/08.

The amounts of nonfinancial assets are annually reviewed, except for tax credits, whose realization is evaluated every six months.

g) Deposits, open market funding, funds from acceptance and issue of securities, borrowings and onlending and subordinated debts

These are stated at the amounts payable, considering interest payable through the reporting date and recognized on a daily pro rata basis. Foreign currency liabilities are restated at the official exchange rates prevailing on the reporting date. Open market funding is classified in current liabilities considering their maturities, regardless of the term of the securities backing such transactions.

h) Current and deferred Income and Social Contribution taxes

Current

When provisions for Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) are applicable, they are calculated based on book income or loss and adjusted considering permanent and temporary add-backs and deductions. Income tax is determined at the rate of 15%, plus a 10% surtax on taxable income exceeding R$ 240 in the year (R$ 120 in a six-month period), whereas Social Contribution Tax was calculated at the rate of 15% until February 2020. With the enactment of Constitutional Amendment No. 103, Article 32, as from March 2020, the effective CSLL rate for Banks will be 20%.

Deferred

Deferred taxes were calculated on temporary add-backs and deductions. Deferred taxes are calculated on add-backs, deductions or temporary income (losses) to be realized upon the use and/or reversal of the bases for recognition, according to current expected realization and considering Management's analysis and technical studies.

i) Contingent assets and liabilities and legal, tax and social security obligations

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are made according to criteria established in Resolution No. 3.823/09 and Technical Pronouncement CPC 25, issued by the Committee of Accounting Pronouncements (CPC), as follows:

Contingent assets - these are not recognized in the financial statements, except when there is evidence that guarantees their realization, with no further chance of appeal.

Contingent liabilities - these are recognized in the financial statements when, according to the opinion of legal counselors and Management, the risk of loss for a court or administrative proceeding is considered probable, a probable outflow of resources will be required to settle the obligation, and the amounts of the obligation can be reliably measured. Contingent liabilities classified as possible losses by legal counselors are only disclosed in the notes, and those classified as remote losses do not require provision or disclosure.

Legal obligations - tax and social security – these refer to proceedings questioning the legality and constitutionality of certain taxes (or taxes and contributions). The amount discussed is quantified, recorded and monthly adjusted.

(In thousands of Brazilian reais)

j) Other current and noncurrent assets and liabilities

These are stated at realizable or payable values, including earnings, charges, monetary variations or exchange rate gains (losses) incurred up to reporting date, calculated on a pro rata basis, less estimated losses to reflect realization value, when applicable. Realizable or payable balances within 12 months are classified in current assets and liabilities, respectively.

k) Earnings or losses per share

Earnings or losses per share are calculated according to the number of shares at reporting date.

l) Recurring and nonrecurring income (loss)

BCB Resolution No. 2, of November 27, 2020, in its article 34, determined the segregated disclosure of recurring and non-recurring income (loss). Nonrecurring income (loss) for the year is thus defined as income (loss) that: I – is incidentally related or not related to typical activities of the Company and II – is not expected to frequently occur in future years.

The nature and financial effect of the events considered non-recurring are stated in Note 33.

4. Cash and cash equivalents

As at December 31, 2020 and 2019, cash and cash equivalents were as follows:

	2020	2019
Cash and cash equivalents in domestic currency	937	25,140
Cash and cash equivalents in foreign currency	575	1,350
Open market investments (Note 5a)	123,696	663,398
Cash and cash equivalents	**125,208**	689,888

(In thousands of Brazilian reais)

5. Short-term interbank investments

a) Open market investments

	2020		2019
	1 to 30 days	**Total**	Total
Open market investments			
Own resources:	**123,696**	**123,696**	111,127
Zero coupon floating rate bills - LFT	123,696	123,696	-
Zero coupon fixed rate bills (LTN)	-	-	13,400
National Treasury Notes (NTN)	-	-	97,727
Financed position:	**-**	-	552,271
National Treasury Notes (NTN)	-	-	552,271
Total	**123,696**	**123,696**	663,398

In the year ended December 31, 2020, income from (loss on) repurchase agreements amounted to R$ 11,791 (R$ 50,919 in 2019).

b) Investments in interbank deposits

	2020	2019
Maturity within 90 days	3,017	1,808
Total	**3,017**	1,808

In the year ended December 31, 2020, income from investments in interbank deposits amounted to R$ 29 (R$ 21 in 2019).

(In thousands of Brazilian reais)

6. Marketable securities

a) Marketable securities - Breakdown by type

	2020		2019	
	Cost (i)	**Market (ii)**	Cost (i)	Market (ii)
Trading securities				
Own portfolio - free	**48,911**	**48,857**	26,351	28,020
Zero coupon floating rate bills - LFT	129	129	272	272
Zero coupon fixed rate bills - LTN	-	-	400	400
National Treasury Notes - NTN	489	601	469	581
Agrarian Debt Bonds - TDA	4	2	133	109
Investment Fund Shares - CFI	16,681	16,681	9,917	9,917
Shares of funds of receivables - FIDC	3,511	3,511	-	-
Agribusiness Receivables Certificate - CRA	27,023	26,777	9,580	9,580
Shares issued by publicly held companies	19	98	635	2,216
Investments in marketable securities abroad	-		1,720	1,720
Real Estate Receivables Certificates - CRI	1,055	1,058	3,225	3,225
Linked to repurchase agreements	**-**	**-**	5,192	5,192
Zero coupon floating rate bills - LFT	**-**	**-**	5,192	5,192
Total trading securities	**48,911**	**48,857**	31,543	33,212
Available-for-sale securities				
Own portfolio - free	**126,593**	**126,734**	187,312	188,983
Zero coupon floating rate bills - LFT	95,786	95,908	155,194	155,210
Zero coupon fixed rate bills - LTN	-	-	258	260
National Treasury Notes - NTN	709	730	23,778	25,448
Agrarian Debt Bonds - TDA	6	4	99	82
Investment Fund Shares - CFI	30,092	30,092	7,983	7,983
Linked to repurchase agreements	**89,274**	**89,303**	310,201	310,306
Zero coupon floating rate bills - LFT	89,274	89,303	310,201	310,306
Linked to guarantees (iii)	**39,725**	**39,698**	59,344	59,340
Zero coupon floating rate bills - LFT	29,702	29,675	44,671	44,667
Investment Fund Shares - CFI	10,023	10,023	14,673	14,673
Total available-for-sale securities	**255,592**	**255,735**	556,857	558,629
Held-to-maturity securities				
Own portfolio - free	**144,828**	**144,828**	-	-
Shares of funds of receivables - FIDC	144,828	144,828	-	-
Total held-to-maturity securities	**144,828**	**144,828**	-	-
Total	**449,331**	**449,420**	588,400	591,841

(i) Cost value

In the case of fixed-rate securities, this refers to acquisition cost plus gains earned through the reporting date; for shares, it is based on acquisition cost. The shares of Investment Funds and Receivables Funds refer to the cost adjusted to the unit price made available by their respective managers.

(In thousands of Brazilian reais)

(ii) Market value

The market value of government bonds is calculated according to disclosures in the daily bulletins informed by the Brazilian Financial and Capital Markets Association (ANBIMA). Shares and debentures are measured at the last-day-traded close price on the Stock Exchange. Corporate bonds are stated at cost, plus accrued daily earnings and adjusted to market value. The fund shares are restated by the share value provided by the Administrator.

(iii) Linked to guarantees

Securities linked to guarantees refer to marketable securities linked to operations listed on B3 S.A.- Brasil, Bolsa, Balcão, in the amount of R$ 39,698 (R$ 59,340 as at December 31, 2019). These securities can be replaced by others in case they need to be sold.

b) Marketable securities - Breakdown by maturity

	2020						2019
	With no maturity	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**Over 3 years**	**Total**	Total
Trading securities							
Zero coupon floating rate bills - LFT	-	-	-	65	64	129	5,464
Zero coupon fixed rate bills - LTN	-	-	-	-	-	-	400
National Treasury Notes - NTN	-	-	-	-	601	601	581
Agrarian Debt Bonds - TDA	-	-	-	2	-	2	109
Investment Fund Shares - CFI	16,681	-	-	-	-	16,681	9,917
Shares of funds of receivables - FIDC	3,511	-	-	-	-	3,511	-
Agribusiness Receivables Certificate - CRA	-	-	1,387	25,390	-	26,777	9,580
Shares issued by publicly held companies	98	-	-	-	-	98	2,216
Investments in marketable securities abroad	-	-	-	-	-	-	1,720
Real Estate Receivables Certificates - CRI	-	-	-	-	1,058	1,058	3,225
Total trading securities (i)	**20,290**	**-**	**1,387**	**25,457**	**1,723**	**48,857**	33,212
Available-for-sale securities							
Zero coupon floating rate bills - LFT	-	15,449	52,562	21,131	125,744	214,886	510,183
Zero coupon fixed rate bills - LTN	-	-	-	-	-	-	260
National Treasury Notes - NTN	-	89	628	-	13	730	25,448
Agrarian Debt Bonds - TDA	-	-	-	2	2	4	82
Investment Fund Shares - CFI	40,115	-	-	-	-	40,115	22,656
Total available-for-sale securities (i)	**40,115**	**15,538**	**53,190**	**21,133**	**125,759**	**255,735**	558,629
Held-to-maturity securities							
Shares of funds of receivables - CFI		-	-	-	144,828	144,828	-
Total held-to-maturity securities	**-**	**-**	**-**	**-**	**144,828**	**144,828**	**-**
Total	**60,405**	**15,538**	**54,577**	**46,590**	**272,310**	**449,420**	591,841

(i) The maturity of the notes, regardless of their accounting classification, was considered in their distribution through time.

(In thousands of Brazilian reais)

In the year ended December 31, 2020, income from marketable securities amounted to R$ 22,248 (R$ 33,359 in 2019).

Government securities are kept under the custody of the Special Clearing and Custody System (SELIC), while corporate bonds and fund shares are listed on B3.

There was no reclassification in the securities category for the years ended December 31, 2020 and 2019.

7. Derivative financial instruments

The Bank conducts operations involving derivative financial instruments, which are recorded in asset, liability and memorandum accounts to manage its overall risk exposure.

The trading of derivative financial instruments with counterparties is preceded by an assessment of underlying credit risks.

As at December 31, 2020 and 2019, the amounts recorded in accounts of the statement of financial position referring to derivative financial instruments, including market value adjustments, are as follows:

	2020				2019			
	Reference value	**Assets**	**Liabilities**	**Net**	Reference value	Assets	Liabilities	Net
Forwards (NDF)	36,788	-	(1,961)	**(1,961)**	71,494	3,247	-	3,247
Total	**36,788**	**-**	**(1,961)**	**(1,961)**	71,494	3,247	-	3,247

a) Breakdown of transactions

	2020		**2019**	
Description	**Reference value (in Brazilian reais)**	**Equity amount receivable/(payable)**	**Reference value (in Brazilian reais)**	**Equity amount receivable/(payable)**
Forwards				
USD x XAU	-	-	23,529	22
Brazilian Real x USD	36,788	(1,961)	47,965	3,215
Total	**36,788**	**(1,961)**	71,494	3,237

(In thousands of Brazilian reais)

b) The derivatives have the following maturities:

	2020		2019	
Description	Up to 3 months	Total	From 3 to 12 months	Total
Forward contracts - NDF	(1,961)	**(1,961)**	3,247	3,247

The market value of these derivative financial instruments is calculated based on specialized exchange quotations and, in certain cases, through the use of pricing techniques.

The Bank carries out transactions involving derivative financial instruments listed on the future market - B3, which are exclusively tied to future foreign currency indexes for which the reference value as at December 31, 2020, totals R$ 91,967 (R$ 94,577 in 2019), and an adjustment receivable of R$ 134 (R$ 348 receivable in 2019) was calculated.

All derivatives operations carried out by the Bank are listed on B3. DI and foreign currency-denominated forward contracts are mostly used as instruments to limit fundraising rates due to mismatches between terms, currencies, and/or indexes and active operations.

c) Guarantee margin

The following assets are pledged as guarantee margin for transactions involving derivative financial instruments to be carried out:

	2020	2019
Zero coupon floating rate bills - LFT	9,635	15,693
Fund shares	-	1,360
	9,635	17,053

d) Income from (loss on) derivatives

Income from (loss on) derivative financial instruments for the years ended December 31, 2020 and 2019, is as follows:

	2020	2019
Futures	(17,081)	(1,185)
Forward transactions - NDF	13,917	147
	(3,164)	(1,038)

(In thousands of Brazilian reais)

8. Lending operations

As at December 31, 2020 and 2019, lending operations may be broken down as follows:

a) By type of transaction

	2020	2019
Lending operations:		
Loans and discounted notes	430,526	292,411
Financing - Export credit notes	99,964	214,290
	530,490	506,701
Other receivables:		
Credit assignment with no joint obligation	83,719	60,325
	83,719	60,325
Total lending operations	**614,209**	567,026
Allowance for loan losses	(8,332)	(24,309)
Allowance for other loan losses	(837)	(603)
Total allowance for loan losses	**(9,169)**	(24,912)
	605,040	542,114

b) By sector

	2020	2019
Private sector		
Manufacturing	79,085	133,076
Trade	297,529	236,663
Services	215,480	188,396
Natural persons	22,115	8,891
Total	**614,209**	567,026

c) By maturity

	2020	2019
Amounts overdue	**2,279**	26,077
Amounts falling due within 90 days	**137,286**	75,741
From 91 to 180 days	**100,773**	78,864
From 181 to 360 days	**79,233**	94,358
Over 360 days	**294,638**	291,986
Total	**614,209**	567,026

(In thousands of Brazilian reais)

d) Breakdown of portfolio by risk level

	Portfolio balances					
	2020				2019	
Level	**Ordinary course**	**Overdue**	**Total**	**%**	Total	%
A	975	-	**975**	**0.16**	52,121	9.19
B	581,830	187	**582,017**	**94.76**	443,556	78.23
C	25,328	-	**25,328**	**4.12**	38,043	6.71
D	3,232	-	**3,232**	**0.53**	4,526	0.80
E	565	-	**565**	**0.09**	4,122	0.73
F	-	-	**-**	**0.00**	14,531	2.56
G	-	-	**-**	**0.00**	21	-
H	-	2,092	**2,092**	**0.34**	10,106	1.78
	611,930	**2,279**	**614,209**	**100.00**	567,026	100.00

	Allowance						
	2020					2019	
Level	**Allowance %**	**Ordinary course**	**Overdue**	**Total**	**%**	Total	%
A	**0.5**	5	-	**5**	**0.05**	261	1.05
B	**1.0**	5,818	2	**5,820**	**63.47**	4,435	17.80
C	**3.0**	760	-	**760**	**8.29**	1,141	4.58
D	**10.0**	322	-	**322**	**3.52**	453	1.82
E	**30.0**	170	-	**170**	**1.85**	1,236	4.96
F	**50.0**	-	-	**-**	**0.00**	7,265	29.16
G	**70.0**	-	-	**-**	**0.00**	15	0.06
H	**100.0**	-	2,092	**2,092**	**22.82**	10,106	40.57
		7,075	**2,094**	**9,169**	**100.00**	24,912	100.00

e) Changes in allowance for loans losses

	2020	2019
Balance at beginning of year	**24,912**	12,662
Net recognitions	**2,474**	14,065
Loans written off against losses	**(18,217)**	(1,815)
Balance at end of year	**9,169**	24,912

f) Renegotiated and recovered loans

Renegotiated loans in the year ended December 31, 2020, total R$ 8,073 (R$ 7,562 in 2019).

(*) Resolution 2.682, article 8, paragraph 1/3, the resolutions mentioned above in Note 3.c having not been applied.

Recovered credits in the year ended December 31, 2020, total R$ 6,975 (R$ 1,229 in 2019).

(In thousands of Brazilian reais)

g) Credit assignments

In December 2020, the Bank assigned overdue credit operations, with no joint obligation, to Paulista - Companhia Securitizadora de Créditos Financeiros S.A. (“Securitization company”), which is part of the Prudential Conglomerate, pursuant to Resolution No. 2.686/00 of the National Monetary Council. These operations generated gross income amounting to R$ 5,000.

There was no assignment in 2019.

h) Income from lending operations

	2020	2019
Loans and discounted notes	31,090	45,284
Financing	10,946	16,180
Recovery of loans written off as loss	6,975	1,229
Advances to deposit holders	174	112
Total income from lending operations	**49,185**	62,805
(Losses) on assignments	**(5,033)**	-
Total income from lending operations	**44,152**	62,805

9. Foreign exchange portfolio

Assets	**2020**	2019
Current		
Foreign exchange purchase pending settlement	-	18,909
Rights on foreign exchange sales	-	5,970
	-	24,879
Liabilities		
Current		
Foreign exchange sale pending settlement	-	13,123
	-	13,123

As described in Note 2, in the second half of 2019, the Bank ceased its foreign exchange operations and implemented administrative and governance restructuring with focus on its lending portfolio and rendering of services, constantly seeking new business opportunities based on market expectations, having adequate structure for such, which cannot currently be defined by Management.

(In thousands of Brazilian reais)

10. Other assets - Sundry

	2020	2019
Current		
Taxes to offset (i)	959	35,355
Prepaid exchange funds	-	672
Sundry debtors – domestic	282	52
Receivables from court deposits (Note 30b)	-	1,641
Other	288	267
	1,529	37,987
Noncurrent		
Taxes to offset (i)	36,264	-
Prepaid exchange funds	881	-
Deferred commissions on fundraising	3,700	-
Sundry debtors – domestic	914	-
Receivables from court deposits (Note 30b)	8,494	4,352
	50,253	4,352

(i) Prepayments of IRPJ and CSLL from previous years not offset.

11. Investment in controlled companies and affiliates

This mainly refers to the ownership interest in the controlled company Singulare Corretora de Títulos e Valores Mobiliários S.A.

Main information on this controlled company is as follows:

	2020	2019
Number of shares held	-	3,200
Capital stock	-	66,000
Initial equity	-	102,892
Market value adjustment – marketable securities and derivatives	-	282
Dividends	-	(38,521)
Loss for the year	-	(870)
Percentage of ownership interest	-	100%
Final equity	-	63,783
Equity in earnings (losses) of controlled companies	-	(870)

As per Note 1, on February 06, 2020, the Bank reduced its capital stock, offering shares of the controlled company as payment, ceasing to be its Parent company.

(In thousands of Brazilian reais)

12. Intangible assets

	Amortization rate	Cost	Amortization	12/31/2020	12/31/2019
Software	**20%**	5,281	(3,822)	**1,459**	1,933
Other intangible assets (*)	**-**	4,000	-	**4,000**	4,000
	-	**9,281**	**(3,822)**	**5,459**	5,933

(*) It refers to the acquisition of trademarks, domain and email addresses, procedures manuals, including all copyrights to explore a new product.

13. Deposits

a) By maturity:

	2020					2019
	With no maturity	1 to 90 days	91 to 360 days	Over 360 days	Total	Total
Demand – domestic currency	161,883	-	-	-	**161,883**	139,260
Demand – foreign currency	3	-	-	-	**3**	36
Interbank	-	30,000	-	-	**30,000**	75,368
Time	-	20,092	165,791	426,241	**612,124**	437,571
	161,886	**50,092**	**165,791**	**426,241**	**804,010**	652,235

In the year ended December 31, 2020, expenses on “Deposits” totaled R$ 20,957 (R$ 48,126 in 2019) and expenses on “Credit Guarantee Fund (FGC)” totaled R$ 971 (R$ 971 in 2019) (Note 18).

b) Average rate used:

	2020		2019	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Interbank	**n/a**	**99.01**	n/a	99.02
Time	**5.65**	**120.33**	9.77	109.10

(In thousands of Brazilian reais)

14. Open market funding

	2020		2019
	From 1 to 30 days	**Total**	Total
Own portfolio	**89,131**	**89,131**	314,849
Zero coupon floating rate bills (LFT) (Note 27)	89,131	**89,131**	314,849
Third-party portfolio			
National Treasury Notes - NTN	-	**-**	552,271
	-	**-**	552,271
Total	**89,131**	**89,131**	867,120

In the year ended December 31, 2020, expenses on "Open market funding" totaled R$ 14,371 (R$ 54,576 in 2019) (Note 18).

15. Borrowings and onlending, funds from acceptance and issue of securities and subordinated debts

	2020						2019
	With no maturity	**1 to 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 360 days**	**Total**	Total
Onlending							
Domestic onlending – official institutions (i)	6,701	-	-	-	-	6,701	7,218
Funds from acceptance and issue of securities							
Obligations due to issue of Agribusiness Credit Bills - LCA (ii)	-	2,201	28,991	75,500	42,781	149,473	93,806
Obligations due to issue of Real Estate Equity Securities - LCI (iii)	-	-	16,883	-	10,608	27,491	32,928
Obligations due to issue of Financial Bills (iv)	-	-	-	1,113	-	1,113	1,077
Subordinated debt							
Capital-eligible subordinated debts (v) (Note 27)	-	-	-	32,054	-	32,054	31,063
	6,701	**2,201**	**45,874**	**108,667**	**53,389**	**216,832**	166,092

(i) Domestic onlending refers to funds from the Ministry of the Cities and Associated Agencies (i.e., State, Local and the Federal District Government Agencies and Housing Cooperatives) related to Brazil's Social Interest Housing (PSH) Subsidy Program;
(ii) These refer to Agribusiness Credit Bills (LCA). The rate used ranged from 95% to 122% of the Interbank Deposit Rate (CDI);
(iii) These refer to Real Estate Equity Securities with the Bank's controlling shareholder (Note 27);
(iv) These refer to Financial Bills (LF). The rate used was 122% of CDI maturing on 11/08/2021 (Note 27);
(v) This refers to 6-year-term Financial Bills providing for subordination clauses, corresponding to Tier II eligible instruments authorized pursuant to Resolution No. 4.192/13. This operation bears interest at 115.00% of CDI.

(In thousands of Brazilian reais)

In the year ended December 31, 2020, expenses on "Funds from acceptance and issue of securities" totaled R$ 3,862 (R$ 6,453 in 2019) (Notes 18 and 27), and expenses on "Subordinated debts" totaled R$ 1,026 (R$ 2,073 in 2019) (Note 18).

16. Other liabilities

a) Tax and social security

	2020	2019
Current		
Taxes and contributions payable	10,148	11,621
	10,148	11,621
Noncurrent		
Taxes and contributions payable	19,700	26,694
	19,700	26,694
	29,848	38,315

It mainly refers to the assessment of IRPJ, CSLL and IRRF tax deficiencies, in the amount of R$ 25,599 (R$ 35,497 in 2019) related to Administrative Proceeding No. 16327-721.025/2018-35 filed due to disallowance of expenses included in the tax base of those taxes. The debt was agreed to be paid in 60 months as formalized with the RFB and it is being paid regularly.

b) Sundry

	2020	2019
Current		
Items to be settled - foreign exchange	-	18,719
Charges on funds received - PSH	9	9
Other amounts payable	190	373
	199	19,101

17. Equity

a) Capital stock

In the Extraordinary General Meeting held on February 06, 2020, Capital Stock was reduced by R$ 60,000, with no cancellation of shares and with refund of the totality of Singulare's shares to its shareholders, keeping the ownership interest of current shareholders unchanged, followed by an increase of R$ 38,000, through issue of one hundred twenty-six million four hundred twenty-six thousand four hundred and fifty-six (126,426,456) new shares, of which sixty-three million two hundred thirteen thousand two hundred and twenty-eight (63,213,228) are common shares and sixty-three million two hundred thirteen thousand two hundred and twenty-eight (63,213,228) are preferred shares, all registered and with no par value, in the amount of R$ 0.300570, fully subscribed by shareholder Álvaro Augusto Vidigal and paid-in in domestic currency, R$ 19,000 having been paid-in on February 13, 2020, and the remainder, equivalent to R$ 19,000, on the business day following the approval of the capital increase by BACEN, in domestic currency, which occurred on July 03, 2020.

As at December 31, 2020, the Company's fully subscribed and paid-in capital stock of R$ 184,300 (R$ 206,300 in 2019) is represented by 424,458,216 (298,031,760 in 2019) registered shares with no par value, of which 212,229,108 (149,015,880 in 2019) are common shares and 212,229,108 (149,015,880 in 2019) are preferred shares.

b) Dividends and interest on equity capital

The Bank's bylaws provide for mandatory minimum dividends of 25% on net income, calculated under the terms of Brazilian Corporate Law. In the year ended December 31, 2020, the Bank reported losses and no dividends were distributed, neither was interest on equity capital paid. In 2019, interest on equity capital was paid based on interim income (loss) calculated in the trial balance of November 2019, in the amount of R$ 4,539.

c) Statutory reserve

The Bank shall allocate 5% of net income each year to the statutory reserve, which shall not exceed 20% of paid-in capital.

(In thousands of Brazilian reais)

d) Reserve established by the Bank's bylaws

The Bank must allocate ten percent (10%) of the net income to set up a reserve established by the Bank's bylaws, intended to ensure an adequate operating margin for the Bank, up to the limit of one hundred percent (100%) of the capital stock.

The balance of Net Income, verified after the distributions provided for in the Bank's Bylaws, will have the destination proposed by the Executive Board and approved in the General Meeting, and one hundred percent (100%) may be allocated to the Income Reserve established by the Bank's bylaws.

e) Retained earnings/Accumulated losses

According to Resolution No. 3.605/08, the income earned and not distributed in the year, after the allocation of the statutory reserve, was allocated to the income reserve established by the Bank's bylaws. As at December 31, 2020, losses calculated in the year were R$ 2,431 (R$ 3,320 in 2019).

18. Expenses on market funding

	2020	2019
Time deposits (Note 13)	19,146	38,115
Open market funding (Note 14)	14,371	54,576
Contributions to Credit Guarantee Fund (FGC) (Note 13)	971	971
Interbank deposits (Note 13)	1,808	7,206
Financial bills (Notes 15 and 27)	1,026	2,073
Agribusiness Credit Bills - LCA (Notes 15 and 27)	3,062	4,401
Real Estate Equity Securities - LCI (Notes 15 and 27)	800	2,052
Exchange rate gains from (losses on) foreign currency deposits (Note 13)	3	2,805
	41,187	112,199

19. Revenue from services and bank fees

a) Revenue from services rendered:

	2020	2019
Custody services	1,168	1,073
Operation structuring charge	2,465	91
Foreign exchange operation charges		2,310
Other services	752	288
	4,385	3,762

(In thousands of Brazilian reais)

b) Revenue from bank fees:

	2020	2019
Fund transfer fees	3,037	5,992
Revenue from bank fees	39,687	53,124
Other fees	123	138
	42,847	59,254

20. Personnel expenses

	2020	2019
Proceeds	21,029	36,167
Social charges	9,829	17,200
Benefits	5,226	7,400
Fees	6,260	14,936
Training	104	1,011
Remuneration of interns	31	81
	42,479	76,795

21. Administrative expenses

	2020	2019
Transport of currency - Exchange	1	27,812
Transport of currency - Other	161	1,580
Specialized technical services	10,924	20,797
Data processing	10,664	13,977
Rent	2,463	3,331
Financial system	2,275	7,539
Communications	888	1,424
Third-party services	766	970
Notarial fees	1,183	1,129
Others	3,450	5,174
	32,775	83,733

(In thousands of Brazilian reais)

22. Provision expenses

	2020	2019
Monetary adjustments of taxes and contributions (Note 30)	15	56
Contingencies - judicial and legal obligations (Note 30)	134	1,092
Provisions for labor contingencies (Note 30)	940	564
Reversals of court deposits	42	-
Expenses on assessment of tax deficiency by RFB (Note 16a)	1,496	975
Contingency fees	156	21
Provision for pledges given	126	137
	2,909	2,845

23. Tax expenses

	2020	2019
Tax on Services (ISS)	2,413	3,171
Tax on sales (COFINS)	3,755	7,513
Tax on sales (PIS/PASEP)	610	1,221
Interest on assessment of tax deficiency	2,163	1,771
Other tax expenses	407	1,115
	9,348	14,791

24. Other operating revenues

	2020	2019
Income from pledges given	1,024	400
Monetary variation gains	1,270	1,947
Interest on National Treasury – Court-ordered debt securities	2,792	2,347
Assignment of court-ordered debt securities (i)	6,399	5,243
Monetary gains from court deposits	70	128
Mark-to-market adjustment (ii)	-	2,983
Recovery of charges and expenses	754	1,447
Reversal of provision for labor risks	1,429	362
Reversal of provision for civil risks	170	112
Reversal of provision for tax risks	44	1,476
Reversal of provision for RFB proceeding - Interest	2,159	1,771
Nondeductible provision reversal (iii)	313	4,002
Reversal of provision for pledges	6	2
Income from social-security related severance pay	-	2
Exchange rate gains from (losses on) foreign currency deposits	16	6,789
Exchange rate gains from (losses on) foreign loans	-	2,078
Others	660	280
	17,106	31,369

(i) These refer to income from (loss on) operations for acquisition of public court-ordered debt securities (Federal, State and Local) (Note 27)

(In thousands of Brazilian reais)

(ii) Recognition of revenue at fair value of available-for-sale securities accounted for in equity under the caption “Asset and liability valuation adjustments”, such securities having already been traded;

(iii) It mainly refers to the Reversal of Provisions for CVM (Brazilian Securities and Exchange Commission) fines, in the amount of R$ 4,002 in 2019. The Bank acted as custodian of several receivables investment funds (FIDCS), managed by SOCOPA, until 2017, when responsibility for this activity was assumed by Singulare. As custodian of these investment funds, the Bank was responsible for preparing and submitting its financial statements to CVM. Management decided to recognize these fines only when notified by CVM, thus reversing the provision.

25. Other operating expenses

	2020	2019
Loan consulting	3,668	8,664
Expenses on gold transactions	21	1,333
Expenses on Direct Consumer Credit (CDC) contract recovery	1,343	2,073
Exchange rate gains (losses)	-	735
Prepaid card	49	704
Amortization and depreciation	901	1,140
Interbank fees	102	242
Financial expenses - PSH	419	536
Commissions on financing agreements	-	26
Legal expenses	2,115	3,937
Loss on closing of operating activities (i)	-	10,293
Loss on fees	1,106	-
Expenses on discounts granted in renegotiations	2,969	-
Others	1,355	1,787
	14,048	31,470

(i) Recognition of losses on the remaining balances of foreign exchange transactions recorded under the caption “Other operating expenses", which management considered as having been settled.

(In thousands of Brazilian reais)

26. Income and Social Contribution taxes

a) Reconciliation of expenses on income and social contribution taxes

	2020	2019
Income before taxes on income and profit sharing	(1,926)	(11,731)
(-) Profit sharing	(364)	(3,759)
Income before taxes and after profit sharing	**(2,290)**	(15,490)
Temporary add-backs and deductions	**(23,384)**	16,409
Market-to-market adjustment of marketable securities	3,231	3,821
Losses on credit risk	(25,119)	14,065
Provision for tax risks (Note 30 b3)	(652)	(815)
Provision for RFB proceedings – interest (Notes 22 and 24)	(504)	(796)
Provision for contingent liabilities	(180)	134
Permanent add-backs and deductions	**3,309**	4,346
Equity in earnings (losses) of controlled company (Note 11)	-	870
Other permanent add-backs and deductions	3,309	3,476
Tax base	**(22,365)**	5,265
Income Tax/ Social Contribution Tax	-	2,083
Deductions - tax incentives (i)	(317)	(1,443)
Income and Social Contribution taxes	**(317)**	640
Deferred tax assets	458	(12,810)
Total Income and Social Contribution taxes	**141**	(12,170)

(i) It refers to credit entitlement from previous periods.

b) Tax credits

The bases for recognition of tax credit were as follows:

	2020	2019
Losses on credit risk and loans written off as loss	33,866	58,985
Provision for contingencies (Note 30 b3)	2,764	3,417
Provisions for RFB proceeding - Interest	5,893	6,557
Market value adjustment – Trading/Available-for-sale marketable securities	3,054	(1,798)
Income tax loss/Social Contribution tax loss	29,898	7,532
Other contingent liabilities	634	814
Total tax credits	**76,109**	**75,507**

(In thousands of Brazilian reais)

Changes in tax credits for the year were as follows:

	12/31/2018	Recognition	Realization/ Reversal	Reclassification (i)	12/31/2019
Allowance for loan losses (ii)	17,463	12,288	(532)	(2,675)	26,544
Provision for contingencies and tax risks	1,966	1,006	(1,826)	3,708	4,854
Market value adjustment – Trading/Available-for-sale marketable securities	501	3,992	(879)	(4,423)	(809)
Income tax loss/Social Contribution tax loss	-	-	-	3,390	3,390
Total tax credits	19,930	17,286	(3,237)	-	33,979

(i) In 2019, there were reclassifications between line items, with no impact on income (loss), for better adherence of the information.
(ii) Of the balance of the provision for expected losses, R$ 14,332 is represented by tax credits from operations written-off as losses.

	12/31/2019	Recognition	Realization/ Reversal	12/31/2020
Allowance for loan losses **(i)**	26,544	-	(11,303)	15,241
Provision for contingencies and tax risks	4,854	1,309	(1,983)	4,180
Market value adjustment – Trading/Available-for-sale marketable securities	(809)	3,044	(861)	1,374
Income tax loss/ Social Contribution tax loss	3,390	10,064	-	13,454
Total tax credits	**33,979**	**14,417**	**(14,147)**	**34,249**

(i) From the balance of the provision for expected losses, R$ 11,113 is represented by tax credits on operations written-off to loss.

Tax credits are expected to be offset within the term allowed by Resolution No. 3.355/06, according to their nature. The credits from taxes and contributions were recorded solely on temporarily nondeductible differences.

There are no other tax credits to be recognized.

The present value of tax credits as at December 31, 2020, amounts to R$ 27,297, based on CDI/B3 rates in effect in the related periods. Tax credits are assessed periodically based on the generation of taxable income for income and social contribution tax purposes at an amount that renders it justifiable to record such amounts as assets.

Based on projected results, which include developments in the business plan, Management understands that the Bank will realize taxable profits within the term not yet barred by statute to absorb the tax credits recorded in its financial statements. This estimate is periodically reviewed so that any changes in the expected recovery of such credits are timely considered in the financial statements.

(In thousands of Brazilian reais)

Tax credits are expected to be realized as follows:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Allowance for loan losses	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	**15,240**
Provision for contingencies and tax risks	-	-	1,393	1,393	1,393	-	-	-	-	-	**4,179**
Market value adjustment – Trading/ Available-for-sale marketable securities	-	458	458	458	-	-	-	-	-	-	**1,374**
Income tax loss/ Social Contribution tax loss	1,136	3,534	3,711	3,896	1,179	-	-	-	-	-	**13,456**
Total	**2,660**	**5,516**	**7,086**	**7,271**	**4,096**	**1,524**	**1,524**	**1,524**	**1,524**	**1,524**	**34,249**
Present value	**2,588**	**5,092**	**6,128**	**5,867**	**3,071**	**1,058**	**979**	**906**	**837**	**771**	**27,297**

27. Related-party transactions

Transactions involving related parties were carried out on an arm's length basis as for charges and terms, as follows:

	Assets (liabilities)		**Revenues (expenses)**	
	2020	2019	**2020**	2019
Demand deposits	**-**	(15,054)	**-**	-
Time deposits	**(54,538)**	(84,836)	**(2,173)**	(7,442)
Interbank deposits	**-**	(60,136)	**(1,189)**	(6,548)
Open market funding (Note 14)	**-**	(54,001)	**(1,082)**	(1,987)
Debtors – account "Pending settlements"	**-**	(1,066)	**-**	-
Financial bill - Subordinated debt (Note 15)	**(32,054)**	(31,063)	**(991)**	(2,003)
Real Estate Equity Securities - LCI (Notes 15 and 18)	**(27,492)**	(32,928)	**(531)**	(2,052)
Agribusiness Credit Bills - LCA (Notes 15 and 18)	**(26,209)**	(91,509)	**(1,980)**	(4,240)
Credit assignment with no joint obligation (*)	**-**	-	**5,000**	-
Assignment of court-ordered debt securities (**)	**-**	-	**6,826**	5,243

(*) Assignment of receivables to Paulista - Companhia Securitizadora de Créditos Financeiros S.A. (Note 8 g)
(**) Assignment of court-ordered debt securities to the Bank's shareholders (Note 24).

a) Compensation to key Management personnel

As per the Bank's Articles of Incorporation and bylaws, the overall annual management compensation amount is decided in the Annual General Meeting (AGM). The Bank paid its management personnel the following short-term benefits:

	2020	2019
Fixed compensation	6,260	14,936
Social charges	1,409	3,361
Total	**7,669**	18,297

The Bank offers no long-term or post-employment benefits, relating to termination or share-based payment, to its key management personnel.

28. Risk management

Risk Appetite

The Board of Directors is responsible for the approval of the guidelines and limits of risk appetite, carrying out its responsibilities with the support of the Risk and Control Committee and Chief Risk Officer (CRO).

Risk appetite limits are frequently monitored and reported to the Risk and Control Committee and Board of Directors, which are responsible for guiding preventive measures to be taken in order to guarantee that the Bank's exposures are in line with its strategies.

There is a centralized structure for management and control of risks, independent of business units, which determines the limits and mechanisms established to reduce risk, besides establishing processes and instruments to measures, monitor and control risks.

The Bank uses three components for the organization of activities related to risk management: operational and business scenario; governance structure; and functional organization chart of the areas.

- Operational and business context, in order to identify, analyze, assess, address, communicate and monitor risks;
- Governance structure comprising committees and executive forums, which are specialized and have periodically scheduled meetings followed by formalization of significant decisions; and
- Organizational structure based on functional roles, assuring independence and segregation of duties.

The Bank manages risks, minimum capital requirements and financial capacity in an integrated manner. Risks are broken down based on their nature: liquidity, credit, market, operational and capital management risks.

Types of risks:

a) Liquidity risk

Liquidity risk results from the possibility of the Bank not being able to efficiently honor its expected and unexpected, current and future obligations, with no damage to its daily operations and not incurring in significant losses. In order to mitigate this risk, the Bank periodically assesses its exposures and defines a security cushion, or minimum liquidity, which must be set and maintained by the Bank.

Liquidity risk is managed for funding purposes and for managing investments and funding over short- and long-term threshold. In the short-term threshold, diversification of fund sources is prioritized, Whereas in the long-term, temporary matching between funding and investments is prioritized. The practices adopted comply with the criteria set forth by CMN Resolution No. 4.557/17.

b) Credit risk

Credit risk derives from noncompliance by the issuer, borrower or counterparty of their respective agreed financial obligations. In order to mitigate this risk, the Bank periodically assesses its exposure, as well as the credit rating of clients and counterparties, thus setting limits and guarantees to cover possible losses by the Bank.

The purpose of credit risk management is to previously measure risk level and to monitor the diversification and guarantees set up, enabling the mitigation of financial losses. The practices adopted comply with the criteria set forth by CMN Resolution No. 4.557/17.

c) Market risk

Market risk occurs when the values of the positions held by the Bank change due to market price fluctuations. These losses may be subject to parity of exchange rates, interest rates, share prices, price indexes and merchandise prices (commodities).

Risk management seeks to balance business objectives, in the Banking and Trading portfolio, considering, among others: political, economic and market outlook, portfolio profile and the Bank’s capacity to operate in specific markets. The practices adopted comply with the criteria set forth by CMN Resolution No. 4.557/17.

d) Operational risk

Operational risk arises from internal and external frauds, labor claims and weak security of the work place, inadequate processes and practices adopted for clients or in relation to products and services, damage to own physical assets or to assets used by the Bank, situations that lead to undue interruption of Bank activities, and failures to systems, processes or infrastructure of information technology. In order to mitigate this risk, the Bank periodically compiles and categorizes these events and monitors the efficiency of the improvement plans adopted.

The purpose of operational risk management is to gather information on weaknesses in the operating processes in order to evaluate and adopt adequate improvement plans. The practices adopted comply with the criteria set forth by CMN Resolution No. 4.557/17.

e) Capital management

Capital management includes the prospective process to monitor and control Bank capital, including the planning and projection of capital requirement goals, consistently with the budget plan and trade and business strategies, for coverage of the risks thereof.

Capital is to be understood as the set of own and third-party's long-term funds, subdivided into Tier I (Principal capital and supplementary capital) and Tier II (Hybrid instruments) specifically classified and authorized by BACEN for this purpose, and which enable absorption of risks, analysis and compliance with the required leverage ratios and limits. The practices adopted comply with CMN Resolution No. 4.557/17.

f) Sensitivity analysis

Banco Paulista carried out a sensitivity analysis of market risk factors considered relevant, monitoring results obtained in the survey of risks in the Bank's portfolio.

As the calculation follows a methodology standardized by the Central Bank based on the Financial Risk Management System, it does not thus consider the dynamic reaction capacity of Management (treasury and control areas) in mitigating risks and at least partially minimizing significant losses. This study is exclusively intended for risk management, being dissociated from accounting practices adopted.

29. Sureties, pledges and guarantees to third parties

The responsibility for sureties, pledges and guarantees granted to third parties, including joint obligation relating to credits assigned, corresponded to R$ 31,891 as at December 31, 2020 (R$ 25,222 in 2019), for which a provision for possible losses was recognized, in the amount of R$ 933 (R$ 814 in 2019).

30. Contingent assets and liabilities and legal, tax and social security obligations

a) Contingent assets

As at December 31, 2020 and 2019, the Bank had no contingent assets accounted for.

b) Contingent liabilities assessed as probable loss and legal obligations

b.1) Labor provisions

These basically refer to claims filed by former employees seeking overtime payment and by former employees of outsourced labor firms seeking recognition of employment relationship and the respective severance pay amounts. Contingent amounts are accrued based on analyses of the potential for loss on claims, on a case-by-case basis, considering claim current status, decisions on the matter under dispute formerly handed down by courts and the opinion of external legal advisors. A provision is recorded for proceedings whose likelihood of loss is assessed as probable in an amount that may be reliably estimated, including applicable charges.

b.2) Provision for civil contingencies

These mostly refer to proceedings of a civil nature relating to Direct Consumer Credit (CDC) operations, seeking damages for pain and suffering, property damage and other proceedings claiming indemnification. Provisions for CDC related claims, the amounts of which are not individually significant, are set up based on the historical average of losses on dismissed cases. The historical average of losses is reviewed semiannually. For other civil proceedings, contingent amounts are accrued based on analyses of the potential for loss on claims, considering claim current status, decisions on the matter under dispute formerly handed down by courts and the opinion of external legal advisors.

(In thousands of Brazilian reais)

b.3) Provisions for tax and social security proceedings

These refer to legal and administrative proceedings substantially based on Constitutional Amendment No. 10/96, which is aimed at (i) ensuring the right to pay Social Contribution Tax (CSLL) calculated at the same rate applicable to other companies not operating in the financial segment; and (ii) avoiding payment of CSLL levied on income calculated at the rate of 30% in the period from 01/01/1996 to 06/07/1996, during which the Company calculated and paid CSLL at the rate of 18% based on Law No. 9.249/95.

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

	Provisions for contingencies				
	Labor	**Civil**	**Tax**	**2020**	2019
Balance at beginning of year	805	1,366	1,246	**3,417**	4,232
Recognitions	940	134	-	**1,074**	1,657
Realizations	(1)	(253)	-	**(254)**	(599)
Adjustments (Note 22)	-	-	15	**15**	56
Reversals	(1,429)	(170)	(44)	**(1,643)**	(1,950)
Fees	-	156	-	**156**	21
Balance at end of year	**315**	**1,233**	**1,217**	**2,765**	3,417

	Court deposits					
	Labor	**Civil**	**Tax**	**Others**	**2020**	2019
Balance at beginning of year	63	1,092	4,290	548	**5,993**	5,188
Adjustments	11	-	59	-	**70**	128
Recognitions	1,014	1,454	-	50	**2,518**	1,123
Reversals	(10)	(46)	-	-	**(56)**	(156)
Withdrawals	-	(31)	-	-	**(31)**	(290)
Balance at end of year	**1,078**	**2,469**	**4,349**	**598**	**8,494**	5,993

c) Contingent liabilities assessed as possible losses

As at December 31, 2020, contingent liabilities classified as possible losses refer to 22 civil proceedings (17 in 2019) totaling R$ 4,161 (R$ 8,052 in 2019), 30 labor proceedings (19 in 2019) totaling R$ 6,357 (R$ 2,690 in 2019), and 16 tax proceedings (14 in 2019) totaling R$ 5,761 (R$ 4,633 in 2019), all based on amounts attributed to the respective lawsuits filed by the claimants (and not necessarily representing the possible loss value), mostly comprising:

- Actions for review of loan and financing contractual clauses;
- Actions for indemnification in connection with financial transactions;
- Labor claims.

In addition to the proceedings referred to above, in December 2019, RFB filed an assessment of tax deficiency related to disallowance of administrative expenses in the calculation of IRPJ, CSLL and IRRF in the amount of R$ 32,761, which were considered possible loss by the Bank's legal advisors.

In the same assessment, the tax authority also disallowed expenses in the amount of R$ 62,413, for which the likelihood of loss is considered remote, as supported by two different opinions from legal counselors, as well as by the result of the independent investigation described in Note 2.d, which has not identified irregularities on such expenses. For both cases, the Bank filed objections.

d) Regulatory agencies

The administrative proceeding filed on April 13, 2018, was judged on August 03, 2020, and after the end of this proceeding, BACEN fined the total amount of R$ 9,753, against which Banco Paulista filed an appeal, whose likelihood of loss was assessed by its lawyers as possible. However, it is not possible to determine whether a provision would be required.

31. Operating limits

The Basel index for the Prudential Conglomerate as at December 31, 2020, determined in accordance with the provisions set forth in Resolution No. 2.099/94, amended by Resolutions Nos. 4.192/13 and 4.193/13, is 10.87%.

According to Resolution No. 4.193/13, Article 4, the minimum required capital may be calculate the rate of 8%, as from 2019.

Banco Paulista S.A.

Notes to the financial statements
As at December 31, 2020 and December 31, 2019
(In thousands of Brazilian reais)

Minimum Required Capital (MRC), in accordance with the standards in force, is stated as follows:

Risk Weighted Assets (RWA) and Basel index	12/31/2020	12/31/2019
Reference capital (RC)	**158,444**	198,571
RC - tier I	158,444	192,358
Main capital	158,444	192,358
RC - tier II	-	6,213
RWA calculated using the standardized approach (Cpad) - Credit	848,080	811,427
RWA using Credit Approval Memorandums (Cam) - Foreign exchange	17,235	40,053
RWA Trading - Interest, commodities, shares	12,063	-
RWA for operational risks (Opad) - Operational	592,465	660,085
RWA – Total	**1,469,843**	1,511,565
Minimum RC	**117,587**	120,925
Basel index (RC/RWA Total)	**10.78%**	13.14%
Tier I index (RC tier I / RWA Total)	**10.78%**	12.73%
Principal capital ratio (RC/RWA Total)	**10.78%**	12.73%

The Bank meets the established requirements.

32. Rendering of other services and auditor’s independence policy

In compliance with CMN Resolution No. 3.198, the Bank has not hired services from BDO RCS Auditores Independentes related to the Bank, other than external audit services. The adopted policy sticks to the principles that safeguard auditor’s independence, in accordance with effective standards that mainly determine that the auditor shall not audit its own work, exercise managerial functions for its client, or promote its client’s interests.

(In thousands of Brazilian reais)

33. Other information

1. Non-recurring income (loss)

	2020	2019
Loss for the year	**(2,431)**	**(3,320)**
Nonrecurring income (loss)		
Terminations (Bank restructuring)	(2,246)	(6,553)
Investigative process	(1,126)	(6,789)
Lawyers	(3,540)	(1,853)
Tax effects	3,110	6,838
Total nonrecurring income (loss)	**(3,802)**	**(8,357)**
Recurring net income	**1,371**	**5,037**

2. Effects of the Coronavirus on the financial statements

The Bank, in observation to the instructions from governments and mainly from health agencies, has been adopting the required measures to support the prevention to COVID-19.

To that end, it has intensified its communications for the awareness of all employees and adopted administrative measures, such as flexibility of working hours, working from home regime, and online meetings.

Management has not identified any significant change in its operational processes, with the Company continuing to operate normally.

Default peaks in the Bank's credit portfolio have also not been verified so far, and the levels of funding from the market continue to evolve, providing an excellent level of liquidity, which was verified until the publication of these financial statements.

Management continues to manage any new events arising from this pandemic, acting in a timely manner to mitigate its effects.

(In thousands of Brazilian reais)

34. Subsequent events

Increase in Social Contribution Tax on Net Income

On March 01, 2021, Provisional Executive Order No. 1.034 was published, changing the CSLL rate for banks from 20% to 25%, and for Lease Companies, this provisional executive order came into force on July 01, 2021, maturing on December 31, 2021, and affecting income (loss) for the second half of 2021. As at the reporting date, there are no impacts to disclose.

Marcelo de Toledo Guimarães	**Rui Luis Fernandes**
CEO	**Director**

Ana Cristina Alves Afonso
CRC 1SP234300/O-5