

Banco Paulista S.A.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

Financial statements and independent auditor's report No. 24358-047-EN

As of December 31, 2023



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MANAGEMENT REPORT

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

Dear Shareholders: We hereby submit the financial statements of Banco Paulista for the years ended December 31, 2023 and 2022, prepared in accordance with the standards established by the Central Bank of Brazil (BACEN) and the National Monetary Council (CMN).

Profit or Loss, Equity, Assets and Money Market Funding: Banco Paulista closed the Year ended December 31, 2023 with a profit of R\$ 17.2 million and equity of R\$ 172.2 million. Assets amounted to R\$ 1.6 billion, comprised of R\$ 1.03 billion in credit transactions operations and R\$ 299.5 million in securities and derivatives. Money market funding was R\$ 1.4 billion.

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

Circular Letter 3.068/01 - BACEN: Banco Paulista hereby represents that it has financial capacity and intention to hold to maturity the securities classified in the "Held to maturity" category in the amount of R\$ 94.7 million, accounting for only 31.61% of the total securities and derivative financial instruments.

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

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

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

São Paulo, March 26, 2024

The Management

EXECUTIVE BOARD REPRESENTATION

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

SECURITIES

As required by BACEN Circular Letter 3.068/01, the Executive Board herein represents that BANCO PAULISTA S.A. has the intent to held to maturity the securities classified under the “held-to-maturity” category, in the amount of R\$ 94.7 million (R\$ 47.6 million in 2022), as shown in Note 6.

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

FINANCIAL STATEMENTS

The Executive Board herein represents that they reviewed, discussed, and agree with the opinion expressed in the independent auditor’s report and, also, reviewed, discussed and agree with the financial statements of BANCO PAULISTA S.A. for the year ended December 31, 2023, and authorized them for issue on March 26, 2024.

BANK’S OMBUDSMAN

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

RELATIONSHIP WITH INDEPENDENT AUDITORS

In the year ended December 31, 2023, BANCO PAULISTA did not engage nor was provided services by Grant Thornton Auditores Independentes that compromise or may compromise the independence necessary to the performance of the external audit of the financial statements. The policy adopted complies with the principles that sustain the auditor’s independence, in accordance with internationally accepted standards, which mainly determine that the auditor should not audit its own work, perform managerial duties for its clients or pursue its own interests.

ACKNOWLEDGEMENTS

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

São Paulo, March 26, 2024

Banco Paulista S.A.

Marcelo de Toledo Guimarães
Chief Executive Officer

Rui Luis Fernandes
Director

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail. See Note 40 to the financial statements.)

Independent auditor's report on the financial statements

**Grant Thornton Auditores
Independentes Ltda.**

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

Opinion

We have audited the financial statements of Banco Paulista S.A. ("Bank"), which comprise the statement of financial position as of December 31, 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the semester and year then ended, and notes to the financial statements, including material accounting policies and other enlightening information.

In our opinion, in all material respects, the financial position of Banco Paulista S.A. as of December 31, 2023, and its financial performance and cash flows for the semester the and year then ended, in accordance with practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibility for the audit of the financial statements" section of our report. We are independent of the Bank, in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants, and the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Transactions with related parties

We draw attention to Notes 31 and 39, which disclose that in the semester and year ended December 31, 2023, the Bank performed transactions of: **(i)** Assignment of credit transactions without co-obligations with Paulista - Companhia Securitizadora de Créditos Financeiros S.A. amounting to R\$ 4,621 thousand, which impacted the result of the semester and year ended December 31, 2023, in the amount R\$ 2,431 thousand; and **(ii)** and assignment of court-ordered notes without co-obligation with the Bank's shareholders in the amount R\$ 71,452 thousand, which impacted the result of the semester and year ended December 31, 2023, amounting to R\$ 14,464, related parties. Additionally, after the reporting date of these statements, the Bank assigned credit transactions without co-obligations with Bank's shareholders amounting to R\$ 15,268 thousand, which impacted the result of R\$ 1,764 thousand. Our opinion is not qualified regarding these matters.

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

The Bank's Management is responsible for this other information that is included in the Management Report.

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

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

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

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

In preparing the financial statements, the Management is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless management either intends to liquidate the Institution and its subsidiaries, or cease operations, or has no realistic alternative to avoid doing so.

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

Auditor's responsibility for the audit of the financial statements

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

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

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

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

São Paulo, March 26, 2024

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



Rafael Dominguez Barros
Accountant CRC 1SP-208.108/O-1

BANCO PAULISTA S.A.

Statements of financial position

As of December 31, 2023, and December 31, 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of Reais)

	Notes	31/12/2023	31/12/2022
Assets			
Current		641,684	901,826
Cash and cash equivalents		1,041	66,578
Cash assets	4a	1,041	1,568
Short-term interbank investments	4b	-	65,010
Financial instruments		623,200	813,964
Short-term interbank investments	5	1,650	18,032
Securities	6	204,861	130,449
Derivative financial instruments	7	0	40
Interbank accounts	10	37,749	1,462
Credit transactions - private sector	8	264,894	252,214
(-) Trade and other receivables with characteristics of loans	8	106,432	401,577
Trade and other receivables without characteristics of loans	9	7,614	10,190
Allowance for expected credit losses		(5,049)	(5,361)
(-) Credit transactions	8	(4,167)	(3,358)
(-) Trade and other receivables with characteristics of loans	8	(805)	(1,912)
(-) Trade and other receivables without characteristics of loans	9	(77)	(91)
Other assets		22,492	26,645
Prepaid expenses		-	-
Non-financial assets held for sale - received	11	3,381	3,381
Sundry	12	19,111	23,264
Non-current		1,002,276	1,082,099
Financial instruments		889,632	991,727
Securities	6	94,674	190,991
Credit transactions - private sector	8	763,074	730,061
(-) Trade and other receivables with characteristics of loans	8	4,582	6,486
Trade and other receivables without characteristics of loans	9	27,302	64,189
Allowance for expected credit losses		(12,313)	(10,394)
(-) Credit transactions	8	(12,002)	(9,721)
(-) Trade and other receivables with characteristics of loans	8	(35)	(31)
(-) Trade and other receivables without characteristics of loans	9	(276)	(642)
Tax credits	30b	42,120	31,772
Other assets		79,517	65,064
Sundry	12	79,517	65,064
Investments	13	2,117	1,752
Other investments		2,117	1,752
Property and equipment		987	1,102
Properties on use		957	957
Other property and equipment in use		5,392	5,286
(-) Accumulated depreciation		(5,362)	(5,141)
Intangible Assets	14	216	1,076
Intangible assets		5,646	6,124
(-) Accumulated amortization		(5,430)	(5,048)
Total of assets		1,643,960	1,983,925

	Notes	31/12/2023	31/12/2022
Liabilities			
Current		979,190	1,066,725
Deposits and other financial instruments		962,273	1,026,633
.	15	710,130	818,046
Money market funding - own portfolio	16	29,104	7,657
Funds from acceptances and issuance of securities	17	215,554	191,264
Payables due to borrowings and onlendings	17	6,991	9,192
Interbranch and interbank accounts	10	494	474
Provisions		4,446	4,424
Accrued liabilities	18	4,446	4,424
Other liabilities		12,471	35,668
Taxes payable		295	120
Taxes and social security	19a	3,127	14,277
Corporate and statutory		-	4,900
Sundry	19b	9,049	16,371
Non-current		492,524	730,667
Deposits and other financial instruments		470,609	692,992
.	15	400,299	577,856
Funds from acceptances and issuance of securities	17	37,347	87,713
Subordinated debts	17	32,963	27,423
Provisions		3,644	7,034
Financial guarantees	33	167	80
Contingent liabilities	34b	3,477	6,954
Other liabilities		18,271	30,641
Sundry	19b	18,271	30,641
Equity	20	172,246	186,533
Share capital - in Brazil		184,300	184,300
Earnings reserves		602	51,580
Accumulated profits (losses)		(12,672)	-
Adjustment to fair value - securities and derivatives		16	(2,925)
Total liabilities and equity		1,643,960	1,983,925

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

BANCO PAULISTA S.A.

Statements of profit or loss

Semester ended December 31, 2023 and years ended December 31, 2023 and 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of reais)

	Notes	2 nd semester	2023	2022
Revenue from financial intermediation		142,931	289,107	250,419
Credit transactions	8h	111,634	224,691	170,310
Gain on short-term interbank investments and securities	5/6	28,707	58,373	80,361
Revenue with voluntary deposits	10	2,619	5,261	-
Gain (loss) on derivative financial instruments	7d	(46)	624	(200)
Gain (loss) on foreign exchange transactions		17	158	(52)
Expenses on financial intermediation		(98,871)	(209,296)	(181,193)
Money market funding	21	(93,018)	(198,520)	(174,405)
Allowance for expected credit losses	8e	(5,853)	(10,776)	(6,788)
Gross profit from financial intermediation		44,060	79,811	69,226
Other operating income (expenses)		(66,917)	(110,199)	(54,148)
Service revenue	22a	916	2,777	2,765
Income from banking fees	22b	11,482	21,351	42,265
Personnel expenses	23	(25,232)	(49,779)	(48,668)
Administrative expenses	24	(41,464)	(66,668)	(54,473)
Tax expenses	25	(5,963)	(12,061)	(11,804)
Expenses on provisions	26	1,734	(635)	(714)
Other operating income	27	10,739	37,959	38,294
Other operating expenses	28	(19,129)	(43,143)	(21,813)
Operating profit or loss		(22,857)	(30,388)	15,078
Non-operating profit (loss)	29	844	651	(1,188)
Profit before taxes on income and profit sharing		(22,013)	(29,737)	13,890
Income tax and social contribution	30	9,341	12,755	(5,605)
Provision for income tax		-	-	(2,532)
Provision for social contribution		-	-	(2,199)
Deferred tax assets	30e	9,341	12,755	(874)
Statutory profit sharing		-	(246)	(1,017)
(Loss) Profit for the semester/years, net		(12,672)	(17,228)	7,268
(Loss) Earnings per one thousand shares - R\$, net		(29,85)	(40,59)	17,12

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

BANCO PAULISTA S.A.

Statements of comprehensive income

Semester ended December 31, 2023 and years ended December 31, 2023 and 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of reais)

	2 nd semester	2023	2022
(Loss) Profit for the semester/years, net	(12,672)	(17,228)	7,268
Other comprehensive income	104	2,941	(1,420)
Available-for-sale financial instruments	188	5,347	(2,581)
Income tax and social contribution	(84)	(2,406)	1,161
Comprehensive net profit (loss) for the semester/years	(12,568)	(14,287)	5,848

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

BANCO PAULISTA S.A.

Statements of changes in equity

Semester ended December 31, 2023 and years ended December 31, 2023 and 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of Reais)

	Earnings reserves					
	Share capital	Legal reserve	Statutory reserve	Adjustment to market value	Retained earnings/ Accumulated losses	TOTAL
Balances as of December 31, 2021	184,300	240	2,550	(1,505)	-	185,585
Net profit for the year	-	-	-	-	7,268	7,268
Legal Reserve	-	363	-	-	(363)	-
Statutory reserve	-	-	6,905	-	(6,905)	-
Interest on the Stockholders' Equity	-	-	(4,900)	-	-	(4,900)
MtM adjustment - securities and derivatives	-	-	-	(1,420)	-	(1,420)
Balances as of December 31, 2022	184,300	603	4,555	(2,925)	-	186,533
Changes in the year	-	363	2,005	(1,420)	-	948
Balances as of December 31, 2022	184,300	603	4,555	(2,925)	-	186,533
Loss for the period, net	-	-	-	-	(17,228)	(17,228)
Legal Reserve	-	(1)	-	-	1	-
Statutory reserve	-	-	(4,555)	-	4,555	-
MtM adjustment - securities and derivatives	-	-	-	2,941	-	2,941
Balances as of December 31, 2023	184,300	602	-	16	(12,672)	172,246
Changes in the year	-	(1)	(4,555)	2,941	(12,672)	(14,287)
Balances as of June 30, 2023	184.300	602	-	(88)	-	184.814
Net loss for the semester	-	-	-	-	(12.672)	(12.672)
MtM adjustment - securities and derivatives	-	-	-	104	-	104
Balances as of December 31, 2023	184.300	602	-	16	(12.672)	172.246
Changes in the semester	-	-	-	104	(12.672)	(12.568)

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

BANCO PAULISTA S.A.

Statements of cash flows - Indirect method

Semester ended December 31, 2023 and years ended December 31, 2023 and 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of reais)

	2 nd semester	2023	2022
Adjusted net profit (loss) for the semester and years	(140)	9,568	210,524
Net profit (loss) for the semester and years	(12,672)	(17,228)	7,268
Adjustments to reconcile profit to net cash	12,532	26,796	203,256
Allowance for expected credit losses (Note 8e)	5,853	10,776	6,788
Provisions for deferred income tax and social contribution	(9,341)	(12,755)	874
Depreciation and amortization (Note 28)	290	681	943
Inflation adjustment of judicial deposits	(211)	(426)	(372)
Reversal of provision for civil, tax and labor risks	(237)	(688)	(2,170)
Reversals of judicial deposits	38	76	-
Provision for risks	461	6,465	5,433
Provisions for guarantees	119	123	136
Reversal of provisions for guarantees	-	(37)	-
Reversal of provision personnel expenses	-	(1,135)	-
Reversal of allowance for court-ordered notes	-	(493)	-
Provisions for tax assessment notice - Federal Revenue Service (Note 19a)	114	504	1,460
Reversal of allowance of proceedings - Federal Revenue Service (RFB)	2,227	4,178	-
Provisions for income tax and social contribution	-	-	4,731
Financial burdens - Subordinated debts	2,832	5,540	-
Write off of Intangible assets	-	478	-
Borrowing costs	-	-	174,405
Expenses on payroll loans - INSS/FGTS	7,720	16,215	11,961
MtM adjustment - securities	(104)	235	487
Adjustment to fair value - securities and derivatives	2,771	(2,941)	(1,420)
Changes in assets and liabilities			
Decrease (increase) in investments in interbank deposits	25,756	16,382	(15,020)
Decrease in securities	(1,584)	27,552	177,442
(Increase) decreases in interbranch and interbank accounts	3,598	(36,267)	16,315
(Increase) in Credit transactions	(24,462)	(53,379)	(353,227)
Decrease (increase) in other assets	927	(26,165)	(45,447)
(Increase) in trading account and financial intermediation	-	-	1,423
Decrease (increase) in derivative financial instruments	-	40	870
Decrease (Increase) in tax credits	84	2,406	(1,162)
(Increase) decrease in securities and receivables	(27,593)	335,029	(212,982)
(Decrease) increase in deposits	(36,632)	(285,473)	143,096
Increase (decrease) in money market funding	21,734	21,447	(53,467)
(Decrease) increase in other liabilities	(11,868)	(19,517)	45,529
(Decrease) in tax and social security obligations	(7,603)	(15,832)	(14,272)
(Decrease) increase in tax and social security obligations	(3,138)	(4,900)	4,600
Increase (decrease) in provisions	166	(7,603)	(907)
Net cash (invested) on operating activities	(60,755)	(36,712)	(96,685)
Cash flows from investing activities			
Acquisition of property and equipment in use	(49)	(184)	(315)
Investments in intangible assets	-	1	(202)
Intangible assets disposed of	-	-	1,909
Fixed assets disposed of	-	-	4
Investments	(41)	(365)	(291)
Net cash provided by (used in) investing activities	(90)	(548)	1,105
Cash flow from financing activities			
Interest on the Stockholders' Equity	-	-	(4,900)
(Decrease) in borrowings and onlending	(813)	(2,201)	1,760
Increase in funds from acceptances and issuance of securities	(8,261)	(26,076)	16,066
Increase in subordinated debt	-	-	27,423
Net cash (used in) provided by financing activities	(9,074)	(28,277)	40,349
(Decrease) increase in cash and cash equivalents	(69,919)	(65,537)	(55,231)
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the semester/years (Note 4)	70,960	66,578	121,809
Cash and cash equivalents at the end of semester/years (Note 4)	1,041	1,041	66,578
	(69,919)	(65,537)	(55,231)

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

Banco Paulista S.A.

Notes to the financial statements

As of December 31, 2023, and December 31, 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of reais)

1. General information

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

2. Basis of presentation and preparation of the financial statements

- a) The financial statements were prepared in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), arising from the standards from the Brazilian National Monetary Council (CMN) and BACEN, including Resolutions CMN No. 4.818, and BCB No. 3, both from 2020, the pronouncements from Brazilian Accounting Standards Board (CPC), received in CMN's standards or from BACEN, and corporate legislation.

According to article 77 from Resolution CMN no. 4.966, dated November 25, 2021, the Bank decided to exercise the capability provided for in this article, of disclosing the financial statements in accordance with the Accounting Standard of the Institutions Regulated by the Central Bank of Basil (COSIF).

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

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

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

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

The financial statements were approved on March 26, 2024.

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

Banco Paulista S.A.

Notes to the financial statements

As of December 31, 2023, and December 31, 2022

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese-language version shall prevail.)

(In thousands of Reais)

3. Summary of significant accounting policies

a) Recognition of profit or loss

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

Finance income and finance costs are calculated under the exponential method. Fixed-rate transactions are stated at redemption value and income and expenses for the future period are stated as a reduction of related assets and liabilities.

Floating rate transactions are adjusted for inflation through the statement of financial position date based on the agreed-upon indexes. Fees and commissions on transactions with third parties, such as brokerage, are recognized when the service or transaction is performed.

b) Cash and cash equivalents

Under Resolution 3064/08, cash and cash equivalents include cash, bank deposits, highly liquid short-term investments, subject to an insignificant risk of change in value and limits, with maturity equal to or less than 90 days.

c) Financial Instruments

Short-term interbank investments

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

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

Securities and derivative financial instruments

As established by BACEN Circular 3068/01, portfolio securities are classified into three different categories, according to Management's intention, as follows

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

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

Held-to-maturity securities: refer to acquired securities that Management has the intent and financial capacity to hold in portfolio up to their maturity. They are stated at acquisition cost, plus accrued earnings. Impairment losses, if any, are immediately charged to profit or loss.

Derivative financial instruments consisting of futures, forward and swap transactions are accounted for under the following criteria:

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

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

Credit transactions and allowance for expected credit losses

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

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Credit transactions are classified according to Management's risk assessment, considering the economic conditions, past experience and specific risks related to the operation, debtors and guarantors, according to the parameters set forth by BACEN Resolution 2682/99, which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss).

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

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

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

For transactions with a term longer than 36 months, the Bank use double counting of the term, as permitted by Resolution 2682/99 to determine the risk level. The allowance for expected credit losses, considered sufficient by the Management, is compliant with Resolution 2.682/99, as shown in Note 8.

Trading account

Represents the intermediation of transactions carried out on stock exchanges, recognized at the amount of the commitments assumed, on behalf of customers. Brokerage is recognized on profit or loss on an accrual basis.

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

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

d) Investments

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

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e) Property and equipment and intangible assets

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

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

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

f) Impairment of non-financial assets

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

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

g) Current and Deferred Income Tax and Social Contribution

Current

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

Social contribution must comply with the following rates:

- From January/2022 to December/2022 - 20%;
- From August/2022 to December/2022 - 21% (Provisional Presidential Decree 1.115); and
- January 2023 onwards - 20%.

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Deferred

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

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

Contingent assets and contingent liabilities, and legal obligations are recognized, measured, and disclosed in accordance with the criteria set forth in Resolution 3823/09 and CPC 25, issued by the Accounting Pronouncements Committee (CPC), based on the following criteria:

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

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

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

i) Other current and non-current assets and liabilities

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

j) Earnings (loss) per share

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

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k) Recurring and nonrecurring profit or loss

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

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

4. Cash and cash equivalents

As of December 31, 2023, and December 31, 2022, cash and cash equivalents were broken down as follows:

a) Cash assets

	<u>12/31/2023</u>	<u>12/31/2022</u>
Cash in local currency	456	968
Cash in foreign currency	585	600
Cash and cash equivalents	<u>1,041</u>	<u>1,568</u>

b) Money market investments

	<u>12/31/2023</u>	<u>12/31/2022</u>
	<u>Total</u>	<u>Total</u>
Money market investments		
Own portfolio:	-	65,010
National Treasury Notes– NTN (i)	-	65,010
Total	<u>-</u>	<u>65,010</u>

- (i) During the Year 2023, there was a reduction in the cash position for a better economic efficiency.

In the year ended December 31, 2023, the result on transactions under repurchase agreements was R\$ 6,433 (R\$ 7,720 in 2022).

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5. Interbank deposits

Investments in interbank deposits

	12/31/2023	12/31/2022
Up to 90 days	-	18,032
Maturity 91 to 360 days	1,650	-
Total	1,650	18,032

In the year ended December 31, 2023, income from interbank deposits was R\$ 2,454 (R\$ 183 in 2022).

6. Securities

a) Securities - Breakdown by classification

	12/31/2023		12/31/2022	
	Cost (i)	Carrying amount (ii)	Cost (i)	Carrying amount (ii)
Trading securities				
Own portfolio – trading	15,300	15,321	45,909	46,127
Financial Treasury Bills (LFT)	7,294	7,301	40,084	40,090
Agricultural Debt Securities – TDA	1	1	1	1
Units in Investment Funds - CFI (iii)	1,518	1,518	4,511	4,511
Units in Receivables Funds - FIDC (iii)	3,030	3,030	-	-
Debentures	512	513	783	995
Shares of listed companies	69	69	63	63
Certificates of Real Estate Receivables ("CRIs")	57	70	467	467
Bank Certificates of Deposits - CDB	2,819	2,819	-	-
Total trading securities	15,300	15,321	45,909	46,127
Available-for-sale securities				
Own portfolio – trading	154,519	155,171	218,038	215,666
Financial Treasury Bills (LFT)	-	-	22,179	22,204
National Treasury Notes (NTN)	105,751	101,302	114,966	112,570
Agricultural Debt Securities – TDA	4	2	4	3
Units in Investment Funds - CFI (iii)	-	-	80,889	80,889
Units in Receivables Funds - FIDC (iii)	42,852	47,955	-	-
Bank Certificates of Deposits - CDB	5,912	5,912	-	-
Linked to repurchase agreements	35,006	34,370	8,333	7,776
Financial Treasury Bills (LFT)	4,808	4,809	-	-
National Treasury Notes (NTN)	30,198	29,561	8,333	7,776
Linked to guarantees given (iv)	-	-	4,249	4,253
Financial Treasury Bills (LFT)	-	-	4,249	4,253

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	12/31/2023		12/31/2022	
	Cost (i)	Carrying amount (ii)	Cost (i)	Carrying amount (ii)
Total available-for-sale securities	189,525	189,541	230,620	227,695
Held-to-maturity securities (v)				
Own portfolio – trading	94,673	94,673	47,618	47,618
Units in Receivables Funds - FIDC (iii)	94,673	94,673	47,618	47,618
Total held-to-maturity securities (iv)	94,673	94,673	47,618	47,618
Total	294,165	299,535	329,817	321,440

(i) Cost Value

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

(ii) Market values

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

(iii) Investments in investment fund units:

<u>FUNDS</u>		<u>12/31/2023</u>	<u>12/31/2022</u>
FIP	Industrial Parks Brasil FIP Multiestratégia (a)	1,518	1,548
FIDC	Esmeralda - Fundo de Investimento em Direitos Creditórios (b)	3,030	2,963
Total Funds Invested for trading		4,548	4,511
FIC FIM	Supra Mid Fundo de Investimento em Cotas de Fundos de Investimento Multimercado - Crédito Privado (d)	-	10,195
FIDC	BPD - Consignado Fundo De Investimento Em Direitos Creditórios (e)	45,296	-
FIC FIM	Paulista Consignado Fundo de Investimento em Cotas de Fundos de Investimento Multimercado Crédito Privado (e)	-	68,339
FIDC	Esmeralda - Fundo de Investimento em Direitos Creditórios (b)	2,092	1,763
FII	Singulare Fundo de Investimento Imobiliário (c)	562	587
FIP	Industrial Parks Brasil FIP Multiestratégia (a)	5	5
Total Funds Invested available for sale		47,955	80,889
FIDC	Structure Fundo de Investimento em Direitos Creditórios (f)	94,673	47,618
Total Funds Invested held to maturity		94,673	47,618
Total		147,176	133,018

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- (a) Industrial Parks Fundo de Investimento em Participações Multiestratégia (Fund), administered by Lions Trust Administradora de Recursos Ltda., was created on August 19, 2008 as a closed-end fund under CVM Instruction 391, dated July 16, 2003, superseded by CVM Instruction 578, dated August 30, 2016, with duration set for November 19, 2025, as per 54th General Unit-Holders' Meeting, held on November 09, 2023.

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

- (b) Esmeralda - Fundo de Investimento em Direitos Creditórios started to operate on February 08, 2027, and was organized as a closed-end fund, with indefinite duration. The Fund is managed by Singulare Corretora de Títulos e Valores Mobiliários S.A.

The Audit Report on the financial statements of Esmeralda FIDC was issued on December 20, 2023, with the related modification *"to properties destined to sale, amounting to R\$ 4,425 (which represented 70.26% of the Fund's equity), arising from the performance of guarantees of the Real Estate Credit Ballots (CCI). For purposes of calculating fair value of properties, the Fund used Assessment Reports issued on January 17, 2022, thus, with a difference of 20 (twenty) months, and considered the amounts of forced settlements calculated in the respective Reports, which precluded to take conclusions on the potential need to adjust the Fund's Financial Statements, considering potential reports duly updated"*.

On December 31, 2023, the Bank had 9,290.43 subordinate units, representing 19.6% of units issued.

- (c) Singulare Fundo de Investimento em Direitos Creditórios Não Padronizados is a real estate investment fund, organized on August 28, 2012, as a closed-end fund managed by Singulare Corretora de Títulos e Valores Mobiliários S.A. with indefinite duration.

On December 31, 2023, the Bank had 2,009 subordinate units, representing 7.6% of units issued.

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

On September 05, 2023, the Bank as subordinate unit-holder, in a General Meeting, decided to anticipate the Fund's liquidation.

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

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The Fund's liquidation amounted to R\$ 11,338, being R\$ 3,757 in cash, and the remnant in "Securities", as follows:

- In 05 (five) Bank Credit Bills (CCB), for the total amount of R\$ 5,766
- 01 (one) Exportation Credit Bill (CCE), for the total amount of R\$ 750
- 01 (one) Debenture, for the total amount of R\$ 1,065

On December 31, 2022, the equity interest of the Bank represented 62.7% of "SUPRA MID" equity.

- (e) Fundo Paulista Consignado II – Fundo de Investimento em Cotas de Fundos de Investimento Multimercado – Crédito Privado" (FIC FIM II)", organized on June 01, 2021, as a closed-end fund with indefinite duration was closed in March 2023. The Fund was managed by Singulare Corretora de Títulos e Valores Mobiliários S.A.

The Bank held indirect equity in FIC FIM II, and with the amount of the redemption of units, for the closure of the Fund in March/2023, the Bank purchased 74,258 senior units of Fundo BPD FIDC.

BPD Consignado Fundo de Investimento em Direitos Creditórios (BPD FIDC) was organized on April 01, 2021, as a closed-end fund, with indefinite duration and is administered by Singulare Corretora de Títulos e Valores Mobiliários S.A. and managed by Singulare Administração Fiduciária Ltda.

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

There were not Assignment of the Bank to the Fund BPD FIDC in the year 2023.

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

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

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(iv) Linked to guarantees given

Securities pledged as collaterals refer to securities linked to transactions traded on B3 S.A.- Brasil, Bolsa, Balcão amounting to R\$ 4,253 on December 31, 2022 (there was not any balance on December 31, 2023). These securities may be replaced with other securities if selling them is needed.

- (v) In compliance to the Circular Letter No. 3.068, dated November 08, 2001 of BACEN, the BANK declares it has financial capacity and the intention of keeping, until maturity, securities classified under the category "held-to-maturity securities!", amounting to R\$ 94,673 (R\$ 47,618 in 2022).

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b) Securities - Breakdown by maturity

	12/31/2023					12/31/2022
	Without maturity date	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Trading securities						
Financial Treasury Bills – LFT	-	-	-	571	6,730	7,301
Agricultural Debt Securities – TDA	-	-	-	1	-	1
Investment fund units - CFI	1,518	-	-	-	-	1,518
Units in Receivables Funds – FIDC	3,030	-	-	-	-	3,030
Debentures	-	-	513	-	-	513
Shares of listed companies	69	-	-	-	-	69
Certificates of Real Estate Receivables (“CRIs”)	--	70	-	-	-	70
Bank Certificates of Deposit- CDB	-	2,819	-	-	-	2,819
Total trading securities (i)	4,617	2,889	513	572	6,730	15,321
Available-for-sale securities						
Financial Treasury Bills (LFT)	-	-	4,809	-	-	4,809
National Treasury Notes (NTN)	-	-	-	130,863	-	130,863
Agricultural Debt Securities – TDA	-	-	-	1	1	2
Investment fund units - CFI	5	-	-	-	-	5
Units in Receivables Funds – FIDC	47,950	-	-	-	-	47,450
Bank Certificate of Deposit - CDB	-	5,912	-	-	-	5,912
Total available-for-sale securities (i)	47,955	5,912	4,809	130,864	1	189,541
Held-to-maturity securities						
Units in Receivables Funds – FIDC	-	-	-	-	94,673	94,673
Total held-to-maturity securities	-	-	-	-	94,673	94,673
Total	52,572	8,801	5,322	131,435	101,404	299,535

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

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In the year ended December 31, 2023, gain on securities investment was R\$ 49,486 (R\$ 34,109 in 2022).

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

There was no reclassification of categories of securities in the year ended December 31, 2023, and year ended December 31, 2022.

7. Derivative financial instruments

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

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

As of December 31, 2023 and December 31, 2022, derivatives recorded in statement of financial position accounts, including MtM, are as follows:

	12/31/2023				12/31/2022			
	Notional value	Assets	Liabilities	Net	Notional value	Assets	Liabilities	Net
Non-deliverable								
Forwards (NDF)	-	-	-	-	23,715	40	-	40
Total	-	-	-	-	23,715	40	-	40

a) Analytical breakdown of transactions

	12/31/2023			12/31/2022	
	Amount	Book value		Notional	Book value
Description	Notional amount (In Reais)	receivable (payable)		amount (In Reais)	receivable (payable)
Forwards					
Real x USD	-	-		23,715	40
Total	-	-		23,715	40

b) Derivatives mature as follows:

	12/31/2023		12/31/2022	
	Up to 3 months	Total	Up to 3 months	Total
Non-deliverable forwards (NDFs)	-	-	40	40

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

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The Bank had derivative transactions that are conducted in futures market - B3. Such transactions are exclusively pegged to foreign currency futures which as of December 31, 2021 does not have a notional value, and on December 31, 2022 presented the amount R\$ 23,958, and no adjustment receivable was calculated in this period and on December 31, 2022.

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

c) Call margin

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

	<u>12/31/2023</u>	<u>12/31/2022</u>
Financial Treasury Bills – LFT	-	4,253
Total	<u>-</u>	<u>4,253</u>

d) Gain (loss) on derivative financial instruments

Gain (loss) on derivative transactions in the years ended December 31, 2023 and 2022 are as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
Futures	624	6,240
Non-deliverable forwards - NDF	-	(6.440)
Total	<u>624</u>	<u>(200)</u>

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8. Credit transactions - private sector

As of December 31, 2023, and December 31, 2022, credit transactions are broken down as follows:

a) By type of operation

	<u>12/31/2023</u>	<u>12/31/2022</u>
Credit transactions:		
Loans and discounted notes	872,403	766,892
Financing - Export credit bills	100,678	143,071
Financing - Rural to agroindustrial	33,686	38,148
Assignment with co-obligation	21,201	34,164
	1,027,968	982,275
Other receivables:		
Receivables without recourse	111,014	408,063
	111,014	408,063
Total credit transactions	1,138,982	1,390,338
Expected credit losses	(16,169)	(13,079)
Other expected credit losses	(840)	(1,943)
Total expected credit losses	(17,009)	(15,022)
Total	1,121,973	1,375,316

b) By sector

	<u>12/31/2023</u>		<u>12/31/2022</u>	
	PORTFOLIO	PDD	PORTFOLIO	PDD
Private sector				
Industry	104,340	(1.150)	150,318	(1.411)
Commerce	182,117	(2.059)	330,554	(4.916)
Analyst	242,554	(4.773)	256,100	(3.316)
Individuals	588,770	(8.535)	619,202	(5.208)
Assignment with co-obligation	21,201	(492)	34,164	(171)
Total	1,138,982	(17.009)	1,390,338	(15.022)

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c) By maturity

	12/31/2023		12/31/2022	
	PORTFOLIO	PDD	PORTFOLIO	PDD
Past due	26,915	(6.490)	15,108	(4.452)
Falling due				
up to 90 days	158,014	(1.491)	405,135	(2.187)
91 to 180 days	81,865	(1.911)	145,195	(1.720)
181 to 360 days	104,532	(1.147)	88,352	(884)
over 360 days	767,656	(5.970)	736,548	(5.779)
Total	1,138,982	(17.009)	1,390,338	(15.022)

d) Receivables concentration

	12/31/2023		12/31/2022	
	PORTFOLIO	PDD	PORTFOLIO	PDD
Clients				
10 largest customers	164,445	(2.825)	208,438	(1.892)
11 to 60 largest customers	306,598	(3.333)	340,772	(4.922)
61 to 160 largest customers	120,567	(2.352)	193,102	(2.310)
Others	547,372	(8.499)	648,026	(5.898)
Total	1,138,982	(17.009)	1,390,338	(15.022)

e) Portfolio breakdown by risk rating

Portfolio balances						
	12/31/2023				12/31/2022	
Level	Regular way	Past due	Total	%	Total	%
AA	27,427	-	27,427	2.41	202,751	14.58
A	522,812	-	522,812	45.90	486,389	34.98
B	517,882	3,999	521,881	45.82	635,658	45.72
C	26,132	7,349	33,481	2.94	53,008	3.81
D	17,402	5,997	23,399	2.05	2,336	0.17
E	272	3,335	3,607	0.32	7,718	0.56
F	23	1,591	1,614	0.14	428	0.03
G	23	2,701	2,724	0.24	564	0.04
H	94	1,943	2,037	0.18	1,486	0.11
Total	1,112,067	26,915	1,138,982	100.00	1,390,338	100.00

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Level	Provision						
	12/31/2023				12/31/2022		
	% of allowance	Regular way	Past due	Total	%	Total	%
A	0.5	2,614	-	2,614	15.37	2,432	16.19
B	1.0	5,179	40	5,219	30.68	6,356	42.31
C	3.0	783	221	1,004	5.91	1,590	10.59
D	10.0	1,740	600	2,340	13.76	234	1.56
E	30.0	82	1,000	1,082	6.36	2,315	15.41
F	50.0	11	795	806	4.74	214	1.42
G	70.0	16	1,890	1,907	11.21	395	2.63
H	100.0	93	1,944	2,037	11.97	1,486	9.89
Total		10,518	6,490	17,009	100.00	15,022	100.00

f) Changes in the allowance for expected credit losses

	12/31/2023	12/31/2022
Opening balance	15,022	8,304
Allowances, net	10,776	6,788
Loans derecognized against loss	(8,789)	(70)
Balance at the end of the semester/year	17,009	15,022

g) Renegotiated and recovered receivables

There was no renegotiation of receivables in the year ended December 31, 2023, and year ended December 31, 2022.

In the year ended December 31, 2023, renegotiated receivables amounted to R\$ 3,968 (R\$ 5,367 in the year ended December 31, 2022). There receivables were renegotiated in 2020.

In the year ended December 31, 2023, recovered receivables amounted to R\$ 809 (R\$ 3,819 in 2022). In this amount, it is included the profit for repurchase of credits made with Paulista Companhia Securitizadora de Créditos Financeiros.

h) Assignment of receivables

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

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In the year ended December 31, 2023, the Bank acquired receivables under the "Agreement" for R\$ 131,124 (R\$ 297,705 in 2022), whose par values amounted to R\$ 240,063, resulting in a gain in the year 2023, the amount R\$ 88,465 (R\$ 26,754 in 2022), recorded in "Income from financial intermediation - Credit transactions". (note 8i)

The average acquisition rate was 1.62% for each one of the assigned receivables, recorded in "Other assets - Sundry" (Note 12) for the amount of R\$ 35,614 (R\$ 39,087 in 2022), which has been deferred over the term of the contracts acquired and recorded in "Other operating expenses - Deferral payroll loans INSS", totaling R\$ 22,968 (R\$ 11,961 in 2022) (note 28).

On August 26, 2022, the Bank assigned with co-obligation own automatic-paycheck-deduction loans. As of December 31, 2023, the balance of Credits assigned with co-obligation totaled R\$ 21,201 (R\$ 34,164 in 2022), according to note 8b. The obligation pegged to this assignment totaled R\$ 26,183 (R\$ 42,334 in 2022), according to Note 19b.

On December 31, 2023, the Bank assigned without co-obligation to Paulista Companhia Securitizadora de Créditos Financeiros, receivables at the amount R\$ 2,747, which par values accounted for R\$ 4,621. Net income with this assignment was R\$ 2,431.

During the second semester of 2023, the Bank repurchased from Paulista Companhia Securitizadora de Créditos Financeiros, receivables previously assigned, at the amount R\$ 105, which par values accounted for R\$ 2,567. The income from this repurchase was R\$ 375, recorded in "Profit from recovery of receivables". (note 8i)

i) Income from credit transactions

	<u>12/31/2023</u>	<u>12/31/2022</u>
Loans and discounted notes	108,947	109,208
Financing	21,378	25,831
Recovery of receivables written off as losses (i)	809	4,643
Advances on deposits	43	73
Income from rural financing	5,049	3,801
Acquisition of receivables - without co-obligation(ii)	88,465	26,754
Total profit from credit transactions	<u>224,691</u>	<u>170,310</u>

(i) In 2022, it refers to Profit with the Repurchase of receivables previously assigned to the Securitization Company.

(ii) Considerable increase related to receivables acquisition without co-obligation (Note 8h).

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9. Trade and other receivables with characteristics of loans

	12/31/2023	12/31/2022
Current		
Municipal court-ordered notes ("precatórios")	4,449	10,190
State court-ordered notes ("precatórios")	-	-
Federal court-ordered notes ("precatórios") (*)	3,165	-
Total current	7,614	10,190
Non-current		
Municipal court-ordered notes ("precatórios")	10,911	5,141
State court-ordered notes ("precatórios")	8,873	58,257
Federal court-ordered notes ("precatórios") (*)	7,518	791
Total non-current	27,302	64,189
	34,916	74,379
(-) Provision for losses	(353)	(733)
Total (i)	34,563	73,646

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

- (i) Reduction is substantially due to assignment of court-ordered notes with the Bank's shareholders (Note 31).

10. Interbranch and interbank accounts

	12/31/2023	12/31/2022
Assets - current		
Voluntary deposits - BACEN (i)	36,317	-
State-owned banks - Deposits linked to agreements (ii)	1,432	1,462
Total	37,749	1,462
Liabilities - Current		
Corresponding Banks	494	474
Total	494	474

- (i) They are long-term voluntary deposits in the Central Bank of Brazil, as per Resolution BCB No. 129/2021 In the year ended December 31, 2023, income from voluntary deposits was R\$ 5,261 (there was not any amount in 2022);
- (ii) Refers to checks deposited in Caixa Econômica Federal (CEF), arising from the Ministry of Cities and Agencies under Special Agreements (state and municipal agencies and the Federal District and Housing Cooperatives) under the National Program for Support to Social Interest Housing - PSH.

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11. Non-financial assets held for sale - received

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

	12/31/2023	12/31/2022
Current		
Vehicles	502	502
Properties (for housing purposes) (i)	2,879	2,879
Total	3,381	3,381

(i) Amount recorded by cost, according to assessment report that did not present impairment.

12. Other assets - Sundry

	12/31/2023	12/31/2022
Current		
Recoverable taxes and tax to offset (i)	-	5,991
Sundry debtors - Brazil – other portfolios	-	2,636
Sundry debtors - Brazil – Agreements to settle	2,670	-
Sundry debtors - Brazil – Assignments to settle	1,857	-
Funding commissions deferred	2,081	2,374
Premium or discount due to transfer of assets - INSS payroll loans (ii)	9,170	9,493
Premium or discount due to transfer of assets - Advance of FGTS birthday withdrawal (ii)	1,170	1,302
Premium or discount due to transfer of assets - SIAPE (ii)	398	-
Others	1,765	1,468
	19,111	23,264
Non-current		
Recoverable taxes and tax to offset (i)	44,337	25,792
Advances on foreign exchange contracts	673	673
Funding commissions deferred	1,380	1,896
Premium or discount due to transfer of assets - INSS payroll loans (ii)	21,984	24,879
Premium or discount due to transfer of assets - Advance of FGTS birthday withdrawal (ii)	1,884	3,413
Premium or discount due to transfer of assets - SIAPE - Acquisition (ii)	1,008	-
Debtors for security deposits (Note 34b)	8,251	8,411
Total	79,517	65,064

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

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

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13. Investments

	12/31/2023	12/31/2022
CERTA - Central de Registro de Títulos e Ativos S.A.	1,833	1,468
Other investments	284	284
Total	2,117	1,752

14. Intangible assets

	Amortization rate	Cost	Amortization	12/31/2023	12/31/2022
Software	20%	5,646	(5.430)	216	598
Other intangible assets	-	-	-	-	478
Total	-	5,646	(5.430)	216	1,076

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

In 2023, the Bank executed the “Mutual Rescission to the Private Instrument of Brand Use Authorization Contract”, of the brand “Reserva Metais”, resulting in the write-off of such asset in the amount R\$ 478, recorded in line “Other non-operating expenses” (note29).

15. Deposits

a) By maturity:

	12/31/2023					12/31/2022
	Without maturity	1 to 90 days	91 to 360 days	Over 360 days	Total	Total
Demand - local currency	96,769				96,769	85,119
Demand - foreign currency	3				3	3
Interbank deposits	9,606				9,606	9,554
Certificate of time deposits - Fixed	17	140	34,875	12,825	47,857	1,301,226
Time deposits Certificate - Floating	2,932	120,088	445,700	387,474	956,194	
Total	109,327	120,228	480,575	400,299	1,110,429	1,395,902

In the year ended December 31, 2023, expenses on “Deposits” were R\$ 153,429 (R\$ 131,265 in 2022) and expenses on “Credit Guarantee Fund” amounted to R\$ 1,718 (R\$ 1,763 in 2022). (Note 21)

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b) Average rate applied:

	12/31/2023		12/31/2022	
	Fixed rate	Floating	Fixed rate	Floating
Interbank deposits	n/a	99.94	n/a	99.60
Time deposits	12.43	114.52	100.00	112.86

Rates used to raise floating CDB were from 95% to 125% of CDI (90% to 125% of CDI in 2022). For DI, a rate from 99 and 110% of CDI was used (99% to 102% of CDI in 2022).

16. Money market funding

	12/31/2023		12/31/2022
	1-30 days	Total	Total
Own portfolio	29,104	29,104	7,657
National Treasury Notes – NTN	29,104	29,104	7,657
Total	29,104	29,104	7,657

In the year ended December 31, 2023, expenses on money market funding were R\$ 2,893 (R\$ 6,079 in 2022). (Note 21)

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

	12/31/2023						12/31/2022
	Without maturity date	1-90 days	91 to 180 days	181 to 360 days	Over 360 days	Total	Total
Payables due to onlendings	6,991	-	-	-	-	6,991	9,192
Domestic onlendings - state-owned institutions (i)	6,991	-	-	-	-	6,991	9,192
Funds from acceptances and issuance of securities	-	12,131	18,979	184,444	37,347	252,901	278,977
Obligations on issuance of Agricultural Receivables							
Notes - LCA (ii)	-	915	432	137,332	10,445	149,124	203,179
Obligations on Real Estate Receivables Bills - LCI (iii)	-	11,216	18,547	47,112	26,902	103,777	75,798
Subordinated debts	-	-	-	-	32,963	32,963	27,423
Subordinated debts eligible to capital (iv) (note 31)	-	--		-	32,963	32,963	27,423
Total	6,991	12,131	18,979	184,444	70,310	292,855	315,592

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- (i) Domestic onlendings refer to resources deposited arising from the Ministry of Cities and Agencies under Special Agreements (state and municipal agencies and the Federal District and Housing Cooperatives) under the National Program for Support to Social Interest Housing - PSH;
- (ii) Refer to Agricultural Receivables Notes (LCA). From this amount, R\$ 18,738 refer to issuance for the Bank's majority shareholder. A rate from 91% to 101% of CDI was used (95% to 116% of CDI in 2022);
- (iii) Refer to Agricultural Receivables Notes. From this amount, R\$ 2,361 refer to the issue with the Bank's majority shareholder. The rate used was from 93.5% to 106% of CDI (94% and 110% of CDI in 2022) (note 31);
- (iv) Refers to Treasury Bills containing subordination clauses corresponding to instruments eligible to Tier-II capital authorized according to Resolution 4.192/13. From this amount, R\$ 27,815 refer to issuance for the Bank's majority shareholder.

In the year ended December 31, 2023, expenses on "Acceptance Appeals and issue of securities" were R\$ 34,940 (R\$ 31,574 in 2022) (notes 21 and 31) and expenses on "Subordinate Debts" amounted to R\$ 5,540 (R\$ 3,723 in 2022). (Note 21)

18. Provisions for payables

	12/31/2023	12/31/2022
Vacation pay	3,154	3,406
Profit sharing	-	430
Rentals	194	194
Technical assistance	574	-
Data processing	-	72
Third-party services	268	317
Legal fees	256	2
Others	-	3
Total	4,446	4,424

19. Other liabilities

a) Taxes and social security

	12/31/2023	12/31/2022
Current		
Taxes and contributions payable	3,127	3,368
RFB in installments - Principal and fine (i)	-	10,909
Total	3,127	14,277

- (i) Refers IRPJ, CSLL and IRRF tax assessment notices in the amount of R\$ 10,909, in connection with Administrative Proceeding 16327-721.025/2018-35, which disallowed the expenses that had been included in the calculation bases of those taxes. The resulting debt has been paid in 60 monthly installments on a timely basis under an agreement made with the Brazilian Federal Revenue Service (RFB), having been settled for R\$ 10,909 on December 27, 2023.

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b) Sundry

	<u>12/31/2023</u>	<u>12/31/2022</u>
Current		
Obligations by operations connected to assignment with co-obligation (Note 8h)	7,913	11,693
Collection notes in transit	-	63
Charges on amounts received under the PSH program	-	9
Court-ordered notes to settle	-	2,087
Other payables	1,136	2,519
Total	<u>9,049</u>	<u>16,371</u>
Non-current		
Obligations by operations connected to assignment with co-obligation (Note 8h)	18,271	30,641
Total	<u>18,271</u>	<u>30,641</u>

20. Equity

a) Share capital

As of December 31, 2023, fully subscribed and paid-in capital is R\$ 184,300 (R\$ 184,300 as of December 31, 2022), represented by 424,458,216 registered shares (424,458,216 as of December 31, 2022), without par value, of which 212,229,108 are common shares (212,229,108 as of December 31, 2022) and 212,229,108 are preferred shares (212,229,108 as of December 31, 2022).

b) 13.6 Dividends and interest on Stockholder's Capital

Bylaws establish the payment of minimum mandatory dividends equivalent to 25% of profit for the year, calculated under Brazilian Corporate Law.

c) Legal Reserve

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

Due to Loss, in the Year ended December 31, 2023, there was not any reserves recognition.

d) Statutory reserve

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

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

Due to Loss, in the Year ended December 31, 2023, there was not any reserves recognition, but such Loss was absorbed in the amount R\$ 4,555.

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

The balance of valuation adjustments to equity is R\$ 16 (R\$ 2,925 negative in 2022) and corresponds to federal securities available for sale and fund units which are marked to the market (Note 6).

f) Accumulated losses/Retained earnings

Under Resolution 4.872/20, the unallocated profit for year, after the recognition of a legal reserve, was allocated to the statutory earnings reserve. As of December 31, 2023, loss for the year was R\$ 17,228 (Profit of R\$ 7,268 in 2022).

21. Expenses on money market funding

	12/31/2023	12/31/2022
Time deposits (Note 15)	152,321	130,723
Money market funding (Note 16)	2,893	6,079
Contributions to the Credit Guarantee Fund (FGC) (Note 15)	1,718	1,763
Interbank deposits (Note 15)	1,108	543
Treasury bills (Notes 17 and 31)	5,540	3,723
Agricultural Receivables Bills - LCA (Notes 17 and 31)	24,105	24,455
Real Estate Receivables Bills - LCI (Notes 17 and 31)	10,835	7,119
Total	198,520	174,405

22. Revenue from services and banking fees

a) Service revenue

	12/31/2023	12/31/2022
Custody services	-	96
Transaction structuring fees	1,411	994
Agreement amendment fee	1,100	-
Hiring fees	22	1,377
Other services	244	298
Total	2,777	2,765

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b) Income from banking fees

	12/31/2023	12/31/2022
Fees on transfers of funds	750	948
Income from banking fees (i)	20,567	41,286
Other fees	34	31
Total	21,351	42,265

- (i) Income from Bank fees have decreased in relation to the same period from the previous year, based on:
a) reduction of fees as liquidator bank; b) reduction of structured transactions; and c) reduction of customers with customers with linked accounts.

23. Personnel expenses

	12/31/2023	12/31/2022
Salaries and wages	24,840	23,606
Social security taxes	9,996	10,419
Benefits	7,281	6,583
Fees	7,577	7,977
Training	21	39
Interns' compensation	64	44
Total	49,779	48,668

24. Administrative expenses

	12/31/2023	12/31/2022
Consulting on credit transactions	-	4,933
Specialized technical services	9,701	8,683
Data processing	16,290	15,729
Rentals	2,881	2,766
Financial system	2,099	1,860
Communications	887	706
Third-party services	1,009	878
Notary fees	1,583	1,096
Commissions to correspondents	7,924	7,757
Financial consultancy	9,152	7,366
Fees applied by the Central Bank of Brazil (Note 34d)	12,081	-
Fees applied by the Central Bank of Brazil (i)	48	
Others	3,013	2,699
Total	66,668	54,473

- (i) Fee referring to the delivery of the "Internal Audit Report" on the assurance of the "Agreement".

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25. Tax expenses

	12/31/2023	12/31/2022
Service tax (ISSQN)	1,216	2,271
Cofins (tax on revenue)	5,086	5,160
PIS (tax on revenue)	827	839
Others	4,932	3,534
Total	12,061	11,804

26. Agreement

	12/31/2023	12/31/2022
Adjustment for inflation of taxes and contributions (Note 34)	(74)	(73)
Contingencies - Judicial and legal (Note 34) (i)	(5.507)	(4.373)
Reversal of provision for civil risks (Note 34)	52	325
Reversal of provision for court-ordered notes (precatórios)	493	0
Provisions for labor claims (Note 34)	(681)	(987)
Reversal of provision for labor risks (Note 34)	636	1,845
Expenses on RFB tax assessment notices (Note 19a)	(504)	(1.460)
Reversal of provision for proceedings with RFB - Interest	4,178	3,087
Contingency-related fees (Note 34)	(277)	0
Provision on guarantees given	(123)	(136)
Reversal of provision for personnel expenses	1,135	0
Reversal of provisions for guarantees	37	1,058
Total	(635)	(714)

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

27. Other operating income

	12/31/2023	12/31/2022
Exchange gain	4,004	4,413
Interest on federal court-ordered notes	11,046	17,268
Adjustment for inflation of judicial deposits	426	372
Assignment of court-ordered notes (*)	14,464	-
Profit from assignment of payroll loans - Note 8h	767	12,120
Income from guarantees provided	182	384
Recovery of charges and expenses	2,091	2,451
Adjustment of IRRF balance	-	907
Restitution of portability	3,759	328
Others	1,220	51
Total	37,959	38,294

- (*) Assignment of court-ordered notes with the Bank's shareholders (Note 31).

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28. Other operating expenses

	12/31/2023	12/31/2022
Amortization and depreciation	681	1,119
Deposits written off	1,303	11
Assignment with co-obligation (Note 8g)	6,166	12
Assignment without co-obligation (Note 8g)	1,927	9,582
Commission on financing agreements	-	2,379
Finance costs - PSH	496	943
Lawyers' fees	-	522
Deferral of payroll loans INSS (Note 8h and note 12) (*)	20,327	125
Deferral of acquisition - SIAPE	705	59
Deferral of acquisition of FGTS withdrawal	1,935	1,224
Other divisions	1,967	1,072
Losses on fees	12	-
Agreement BACEN - (note 34)	4,000	-
Exchange rate changes	22	2,806
Others	3,602	1,959
	43,143	21,813

(*) Increase I due to the recognition of the Premium paid for the acquisition of securities, due to the great amount of Portability.

29. Non-operating profit (loss)

	12/31/2023	12/31/2022
Gain or loss on disposal of intangible assets	(478)	(1.909)
Profit from investment redemption	495	-
Lease of brand - Reserva Metais (Note 14)	497	673
Profit/Loss disposal BNDU	73	(2)
Others	64	50
Total	651	(1.188)

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30. Income tax and social contribution

a) Reconciliation of provisions for income tax and social contribution

	<u>2023</u>	<u>2022</u>
Profit before taxes on income and profit sharing	(29.737)	13,890
(-) Profit sharing	(246)	(1.017)
Profit before taxes and after profit sharing	(29.983)	12,873
Temporary additions and deductions	4,043	2,878
MtM adjustment - securities	235	487
Credit risk losses	11,128	6,788
Provisions for RFB proceedings - Interest	(3,674)	(1.627)
Provisions for contingent liabilities (Note 34)	(3.478)	3,047
Other temporary additions and exclusions (i)	(168)	(5.817)
Permanent additions and deductions	1,639	(5.278)
Other permanent additions and exclusions (ii)	1,639	(5.278)
Tax base	(24.301)	10,473
Income tax and social contribution	-	4,794
Deductions - tax incentives	-	(63)
Income tax and social contribution	-	4,731
Deferred tax assets	12,755	874
Total income tax and social contribution	12,755	5,605

b) Tax credits

Tax credits formation bases were recognized as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
Credit risk losses and receivables written off as loss	35,304	24,176
Provision for contingencies	2,939	6,954
Provisions for RFB proceedings - Interest and Others	-	3,304
Market value adjustment - securities - Trading	4,206	3,971
Tax loss carryforwards	51,181	26,881
Total tax credits	93,630	65,286
Market value adjustment – securities - Available for sale	(30)	5,318
Total tax credits after MtM adjustment - securities - Available for sale	93,600	70,604

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Changes in tax credits during the 1st semester of 2023, and Year 2022: are as follows:

	12/31/2022	Constitution	Realization/ Reversal	12/31/2023
Expected credit losses	10,880	9,385	(4.378)	15,887
Provision for tax risks and contingencies	4,616	3,111	(6.405)	1,322
MtM adjustment - securities - Trading	1,787	310	(204)	1,893
Tax loss carryforwards	12,096	10,935		23,031
Total tax credits	29,379	23,740	(10.987)	42,133
Market value adjustment – securities - Available for sale	2,393	-	(2.406)	(13)
Total tax credits after Market value adjustment – securities – Available for sale	31,772	23,740	(13.393)	42,120

	12/31/2021	Constitution	Realization/ Reversal	12/31/2022
Expected credit losses	9,994	3,406	(2.520)	10,880
Provision for tax risks and contingencies	4,574	3,163	(3.121)	4,616
MtM adjustment - securities - Trading	1,568	909	(690)	1,787
Tax loss carryforwards	14,116	-	(2.020)	12,096
Total tax credits	30,252	7,478	(8.351)	29,379
MtM adjustment – securities - Available for sale	1,232	1,161	-	2,393
Total tax credits after MtM adjustment - securities - Available for sale	31,484	8,639	(8.351)	31,772

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

There are no other tax credits to be recognized.

The present value of tax credits as of December 31, 2023 is R\$ 23,655. The CDI/B3 rates determined for the respective periods were used. Tax credits are periodically assessed based on the generation of future taxable income for income tax and social contribution purposes, in an amount that justifies the realization of the related amounts.

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

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The estimated realization of tax credits is as follows:

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Expected credit losses	794	1,059	1,112	1,168	1,343	1,544	1,776	2,042	2,349	2,700	15,887
Provision for tax risks and contingencies	-	-	331	331	330	330	--	-	-	-	1,322
MtM adjustment - securities - Trading	95	101	106	128	153	184	220	265	317	324	1,893
MtM adjustment – securities - Available for sale	-	-	-	-	-	-	-	-	-	(13)	(13)
Tax loss carryforwards	1,308	1,535	1,679	1,792	1,893	1,993	2,695	3,052	3,268	3,816	23,031
Total	2,197	2,695	3,228	3,419	3,719	4,051	4,691	5,359	5,934	6,827	42,120
Present value	1,999	2,249	2,458	2,360	2,324	2,294	2,400	2,487	2,488	2,596	23,655

31. Related-party transactions

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

	Assets (liabilities)		Revenue (expenses)	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Demand deposits	4,763	(20.318)	-	-
Time deposits	(93,509)	(90.964)	(13.354)	(10.830)
Treasury bills - Subordinated debt (Note 17)	(32,546)	(27.423)	(5.470)	(3.723)
Real Estate Receivables Bills - LCI (Notes 17 and 21)	(3,859)	(14.470)	(790)	(7.080)
Agricultural Receivables Bills - LCA (Notes 17 and 21)	(21.498)	(46.011)	(4.750)	(20.806)
Receivables without recourse (*)	-	-	2,431	13,650
Assignment with court-ordered notes (**)	-	-	14,464	-

(*) Assignment without co-obligation of securities to Paulista Companhia Securitizadora de Créditos Financeiros, receivables for the amount R\$ 2,747, which par values accounted for R\$ 4,621 (note 8h).

(**) Assignment with court-ordered notes, during the first semester of 2023, with Bank's shareholders, amounting to R\$ 71,452. (note 27)

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(In thousands of Reais)

a) Key management personnel compensation

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

	<u>12/31/2023</u>	<u>12/31/2022</u>
Fixed compensation	7,577	7,977
Social security taxes	1,705	1,795
Total	<u>9,282</u>	<u>9,772</u>

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

32. Risk management

Risk appetite

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

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

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

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

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

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

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Types of risks:

a) Liquidity risk

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

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

b) Credit risk

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

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

c) Market risk

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

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

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(In thousands of Reais)

d) Operational risk

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

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

e) Capital management

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

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

f) Sensitivity analysis

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

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

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g) Social, Environment, and Climate Responsibility

We have updated our regulatory commitment following the new guidelines brought through Resolution CMN 4.943/2021 which amends the Resolution 4.577/17 of “Integrated Risk Management (GIR)”, including guidelines related to the management of social, environmental, and climate-related risks, and of Resolution CMN 4.945/2021, which provides on the Policy of Environment, and Climate Responsibility (“PRSAC”). Both came into force on December 01, 2021 for financial institutions of the Segment S4, in which the Company is framed.

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

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

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

33. Indorsement, sureties and guarantees provided to third parties

As of December 31, 2023, the responsibility for indorsement, sureties, and guarantees provided to third parties, including receivables assigned without recourse, amounted to R\$ 616 (R\$ 2,919 on December 31, 2022). An allowance for potential losses of R\$ 47 (R\$ 80 on December 31, 2022).

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

a) Contingent assets

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

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(In thousands of Reais)

b) Contingent liabilities assessed as probable losses and legal obligations

b.1) Provision for labor risks

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

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

b.2) Provision for civil risks

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

b.3) Provision for tax and social security risks

The provisions for tax and social security risks are represented by lawsuits and administrative proceedings, substantially represented by Constitutional Amendment 10/09 which ensures (i) the right to pay social contribution on net profit (CSLL) at the same rate applicable to entities not operating in the financial services segment; and (ii) suspend the requirement to pay CSLL on profits calculated at a rate of 30% in the period from 01/01/1996 to 06/07/1996, during which the company calculated and paid CSLL at a rate of 18% based on Law 9.249/95.

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Changes in provisions for risks and contingencies in the semester and year are as follows:

Provision for risks					
	Labor	Civil	Tax	12/31/2023	12/31/2022
Balance at the beginning of the semester/year	197	5,440	1,317	6,954	3,907
Recognition	681	5,507	74	6,262	5,433
Realization	(28)	(8.442)	-	(8.470)	(216)
Inflation adjustments	28	-	-	28	-
Reversals	(636)	(52)	-	(688)	(2.098)
Fees	-	277	-	277	(72)
Reversal of fees		(888)	-	(888)	-
Balance at the end of the semester/year	242	1,842	1,391	3,475	6,954

Judicial deposits					
	Labor	Civil	Tax	12/31/2023	12/31/2022
Balance at the beginning of the semester/year	2,016	1,700	4,695	8,411	6,816
Inflation adjustments	149	-	277	426	371
Recognition	474	164	-	638	4,283
Reversals	-	-	-	-	(198)
Write-offs	(652)	(78)	(60)	(790)	(1.949)
Payments		(434)	-	(434)	(912)
Balance at the end of the semester/year	1,987	1,352	4,912	8,251	8,411

c) Contingent liabilities assessed as possible losses

As of December 31, 2023, contingent liabilities classified as possible loss are represented by 37 civil lawsuits (39 lawsuits in 2022) involving R\$ 3,000 (R\$ 51,783 in 2022), 22 labor claims (28 claims in 2022) involving R\$ 4,567 (R\$ 4,987 in 2022), and 03 tax lawsuits (03 lawsuits in 2022) involving R\$ 2,817 (R\$ 479 in 2022). The involved amounts were calculated based on the respective claims (which do not necessarily represent the amount of a possible loss) and are substantially represented by the following lawsuits:

- Lawsuits claiming revision of clauses under loan and financing agreements;
- Indemnity claims, arising from the performance of financial transactions; and
- Labor claims:

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d) Processes underway

d.1) Operation Car Wash

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

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

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

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

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

d.2) Proceedings – Federal Revenue

In December 2019, the Federal Revenue Service issued a tax assessment notice disallowing the use of administrative expenses in determining IRPJ, CSLL and IRRF in the amount of R\$ 32,761, which were assessed by the Bank's legal counsel as possible.

The same tax assessment notice disallowed the use of expenses in the amount of R\$ 62,413, assessed as remote loss, as supported legal opinion issued on March 04, 2024 by legal counsels, as well as the findings of the independent investigation, which did not identify irregularities for these expenses. For both cases, the Bank filed an appeal challenging the decisions.

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On February 28, 2023, the Bank registered the intention of adhesion to the Tax Litigation Reduction Program (PRLF), and performed the payment of the amount R\$ 12,898, and the updated amount is R\$ 13,230 (Note 12). This program grants discounts of up to 100% of interests and fees, observing the limit of 65% on the total amount of receivable purpose of the negotiation, varying according to several factors, including the payment capacity determined through statistic calculations. It is worth noticing that the adhesion request does not imply automatic deferral, neither represents irrevocable confession of the respective debts.

The proceedings related to the Tax Litigation Reduction Program (PRLF), until issuance of these statements, is still under analysis by the Federal Revenue Service and the respective defense of citations are in progress, with probability of loss assessed by the legal counsels as potential or remote, thus, no provision was recognized related to this matter

d.3) Agreement

During the year 2022, it was instituted the "Agreement" by BACEN, being in this case applied a fine of R\$ 4,000 and R\$ 12,081, paid in February 27, 2023 and July 31, 2023, respectively, when the Bank reassured improvements in its actions, as well as preparation of the Action Plan with improvements in the Governance process.

With the liquidation of these amounts during the year of 2023, the Management understands that this matter was fully concluded with the Central Bank of Brazil.

35. Operating limits

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

RWA and Basel ratio	12/31/2023	12/31/2022
PR	175,376	196,079
Tier-I regulatory capital	149,006	168,656
Principal Capital	149,006	168,656
Tier-II regulatory capital	26,370	27,423
RWA Cpad - Credit	1,198,740	1,632,122
RWA Cam - Foreign exchange	1,522	591
RWA Trading - Interest, commodities, shares	277	1,264
RWA Opad - Operational	154,973	273,530
RWA - Total	1,355,512	1,907,507
Minimum regulatory capital	108,441	152,601
Basel ratio (regulatory capital / Total RWA)	12.94%	10.28%
Tier-I ratio (Tier-I regulatory capital/ Total RWA)	10.99%	8.84%
Principal Capital ratio (Principal Capital / Total RWA)	10.99%	8.84%
Wide Basel ratio (regulatory capital / (Total RWA+ Rban))	12.62%	10.28%

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Basel Index, for the reference date December 31, 2023, determined in accordance with what is established in the Resolution 2099/94, with amendments introduced by Resolutions 4192/13 and 4193/13, is 12.94% for the Financial Conglomerate.

The Bank is compliant with the requirements.

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

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

37. Other information

a) Nonrecurring profit or loss

	<u>12/31/2023</u>	<u>12/31/2022</u>
<u>(Loss) Profit for the semester</u>	(17.228)	7,268
(-) <u>Nonrecurring profit or loss</u>		
Severance costs (Bank's restructuring)	(710)	(1.084)
Agreement	(16.129)	
Investigation process	(124)	(3)
Legal fees	(2,216)	(1.903)
Tax effects	8,631	1,345
Total nonrecurring profit or loss	(10,548)	(1.645)
<u>(Loss) Recurring net profit</u>	<u>(6,680)</u>	<u>8,913</u>

b) Amendments to the bylaws

There were no amendments to bylaws during the year ended December 31, 2023.

38. Other matters

- 1) During 2022, the Bank made a partial payment of the 2022 profit-sharing to its employees in the amount of R\$ 362, under the collective bargaining agreement. The final payment of R\$ 815 was made on February 17, 2023.

There was not any Profit in the year 2023 and, therefore, there was not Profit sharing.

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

The Central Bank of Brazil (Bacen) will issue supplementary rules with detailing of information to be disclosed in explanation notes.

The Resolution 4966 will be applied in a forward-looking manner on January 1st, 2025. With the issuance of Resolution 5.019 which requires preparation until December 31, 2022 of the implementation plan approved by the Bank's management. The document is at the disposal of BACEN in the regulatory deadline.

The plan for implementation of Resolution No. 4966 is in progress, with impact studies still being performed, under business sphere, as well as technology sphere. As provided for in Art. 78 of such Resolution, impact estimates will be disclosed in the financial statements for the year 2024.

39. Events after the reporting period

In March 2024, the Bank assigned without co-obligation for the majority shareholder, receivables amounting to R\$ 17,032, which par values totaled R\$ 15,268. The result after such Assignment was R\$ 1,764 which was recorded under line "Profit with receivable assignment".

From December 31, 2023 to the date these financial statements was approved for issue, no subsequent occurred that would require disclosure.

40. Explanation added to the English version

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices adopted by the Company that conform to those accounting practices adopted in Brazil may not comply with the generally accepted accounting principles in the countries where these financial statements may be used.

Marcelo de Toledo Guimarães
Chief Executive Officer

Rui Luis Fernandes
Director

Ana Cristina Alves Afonso
Chief Accountant