

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

As of June 30, 2022



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(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

**Grant Thornton Auditores
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To the Management and Shareholders of
Banco Paulista S.A.
São Paulo – SP

Qualified Opinion

We have audited the accompanying financial statements of Banco Paulista S.A. (“Bank”), which comprise the statement of financial position as of June 30, 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the semester then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the potential effects arising from the matters described in the following section “Basis for qualified opinion”, the abovementioned financial statements present fairly, in all material respects, the financial position of Banco Paulista S.A. as of June 30, 2022, and its financial performance and cash flows for the semester the ended, in accordance with practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil (Bacen).

Basis for qualified opinion

Tax credits

As mentioned in Note 30.b to the financial statements, the Bank had tax credits recognized in the amount of R\$ 28,936 thousand as of June 30, 2022, for which no sufficient appropriate audit evidence supporting the recognition of R\$ 1,233 thousand has been provided. Consequently, we were unable to determine the effects of adjustments, if any, to the Bank’s financial statements as of June 30, 2022.

Valuation adjustment to equity

As shown in the Statement of Changes in Equity, the Bank had R\$ 1,275 thousand recorded in equity as of June 30, 2022 relating to the negative adjustment to the fair value of the securities classified as “Available for Sale”, whose valuation and/or devaluation, according to BACEN Circular Letter 3.068/01, must be recorded in a separate account in equity, net of taxes. Up to the date of issue of these financial statements, we were unable to obtain appropriate and sufficient evidence, as well as perform other audit procedures that enable the validation of such figures. Consequently, we were unable to determine the effects of adjustments, if any, to the Bank’s financial statements as of June 30, 2022.

Lack of audit of financial statements of investment funds

According to Note 6.a.iii., as of June 30, 2022, the Bank had invested in units of the following Funds: **(i)** Siller Fundo de Investimento em Direitos Creditórios - Não Padronizados and **(ii)** Structure Fundo de Investimento em Direitos Creditórios (“Invested funds”) in the amounts R\$ 103,045, and R\$ 48,265 thousand, respectively. Up to the date of issue of these financial statements, the audited financial statements of Invested Funds were not available. Consequently, we were unable to obtain enough and appropriate evidence, as well as perform other persuasive audit procedures to ensure that such investments are free from material misstatements, if any, as of June 30, 2022.

Emphasis of matter

Proceedings in progress

As mentioned in Note 34.d., in the semester ended June 30, 2022, there were ongoing tax and administrative proceedings in the regulatory body, arising from the developments of 61th and 74th phases of the Operation Car Wash. Our opinion is not qualified regarding these matters.

Transactions with related parties

As mentioned in Note 31, in the semester ended June 30, 2022, the Bank performed transactions on assignment of receivables without recourse with the Paulista - Companhia Securitizadora de Créditos Financeiros S.A., a related party, in the amount of R\$ 700,000, which accounts for 0.40% of its Equity. Since these transactions are conducted between related parties, results might be different had these transactions been conducted with third parties. Our opinion is not qualified regarding this matter.

Other matters

Audit of the amounts corresponding to December 31, 2021

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

Audit of the amounts corresponding to June 30, 2021

The Bank’s financial statements for the semester and year ended June 30, 2021 were audited by us, whose report thereon, dated August 31, 2021, contained a disclaimer of opinion regarding the following matters: **(i)** Investigations of the Federal Prosecution Office and the Federal Revenue Service of Brazil; **(ii)** Limitation on the deferral of assignment of receivables operations; **(iii)** Lack of recognition of tax credits in the amount of R\$ 1,380 thousand; **(iv)** Limitation on the balance of Valuation adjustments to equity; paragraph “Uncertainty on the ability to continue as a going concern”, and emphasis on dismissal of Civil Investigation, operations with related parties, and investment in equity fund units.

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, 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:

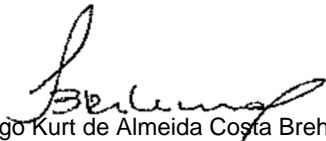
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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;
- 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, August 26, 2022

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



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

BANCO PAULISTA S.A.
 Statements of financial position
 As of June 30, 2022, and December 31, 2021
 (In thousands of reais)

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

	Notes	30/06/2022	31/12/2021		Notes	30/06/2022	31/12/2021
Assets				Liabilities			
Current assets		781,105	730,577	Current liabilities		693,184	667,682
Cash and cash equivalents		1,125	1,811				
Cash and cash equivalents	4	1,125	1,811	Deposits and other financial instruments		674,703	653,102
Financial Instruments		762,926	723,461	Deposits	15	501,383	472,069
Short-term interbank investments	4/5a	145,497	119,998	Money market funding - own portfolio	16	34,009	55,045
Investments in interbank deposits	5b	3,029	3,013	Funds from acceptances and issuance of securities	17	131,260	118,044
Securities	6	184,013	105,636	Payables due to borrowings and onlendings	17	7,427	7,432
Derivative financial instruments	7	109	910	Interbranch and interbank accounts	10	624	512
Interbank accounts	10	20,738	17,815	Provisions		5,236	4,057
Lending operations - private sector	8	291,060	260,693	For income tax and social contribution		415	-
(-) Trade and other receivables with loan characteristics	8	115,853	211,303	Accrued liabilities	18	4,821	4,057
Trading account		21	1,423	Other liabilities		13,245	10,523
Trade and other receivables without characteristics of loans	9	2,606	2,670	Taxes payable		312	485
Allowance for expected credit losses		(4,821)	(4,013)	Taxes and social security	19a	9,715	8,620
(-) Lending operations	8	(3,638)	(3,022)	Social and statutory		-	300
(-) Trade and other receivables with characteristics of loans	8	(1,158)	(965)	Sundry	19b	3,218	1,118
(-) Trade and other receivables without characteristics of loans	9	(25)	(26)	Noncurrent liabilities		758,000	775,925
Other assets		21,875	9,318	Deposits and other financial instruments		744,789	757,278
Prepaid expenses		119	5	Deposits	15	601,795	647,708
Non-financial assets held for sale - received	11	3,381	3,381	Funds from acceptances and issuance of securities	17	118,089	109,570
Sundry	12	18,375	5,932	Subordinated debt	17	24,905	-
Noncurrent assets		858,541	898,615	Provisions		4,673	4,909
Financial Instruments		793,471	817,385	Financial guarantees	33	1,074	1,002
Securities	6	265,370	393,733	Contingent liabilities	34b	3,599	3,907
Lending operations - private sector	8	457,061	369,366	Other liabilities		8,538	13,738
(-) Trade and other receivables with characteristics of loans	8	7,480	8,045	Taxes and social security	19a	8,538	13,738
Trade and other receivables without characteristics of loans	9	63,560	46,241	Equity	20	188,462	185,585
Allowance for expected credit losses		(6,404)	(4,764)	Share capital - in Brazil		184,300	184,300
(-) Lending operations	8	(5,713)	(4,280)	Earnings reserves		5,437	2,790
(-) Trade and other receivables with characteristics of loans	8	(75)	(37)	Adjustment to fair value - securities and derivatives		(1,275)	(1,505)
(-) Trade and other receivables without characteristics of loans	9	(616)	(447)	Total liabilities		1,639,646	1,629,192
Tax credits	29b	28,936	31,484				
Other assets		37,000	48,532				
Sundry	12	37,000	48,532				
Investments	13	1,461	1,461				
Other investments		1,713	1,713				
(-) Allowances for losses		(252)	(252)				
Property and equipment		980	1,099				
Properties on use		957	957				
Other property and equipment in use		5,179	5,148				
(-) Accumulated depreciation		(5,156)	(5,006)				
Intangible assets	14	3,097	3,418				
Intangible assets		7,852	7,831				
(-) Accumulated amortization		(4,755)	(4,413)				
Total assets		1,639,646	1,629,192				

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

BANCO PAULISTA S.A.
Statements of profit or loss
Semesters ended June 30, 2022, and 2021
(In thousands of reais)

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

	Notes	30/06/2022	30/06/2021
Revenue from financial intermediation		114,208	41,579
Lending operations	8h	72,912	28,371
Gain on short-term interbank investments and securities	5/6	42,012	14,470
Gain (loss) on derivative financial instruments	7d	(663)	(1,201)
Gain (loss) on foreign exchange transactions		(53)	(61)
Expenses on financial intermediation		(78,932)	(23,643)
Money market funding	21	(76,664)	(23,691)
Allowance for expected credit losses	8e	(2,268)	48
Gross profit from financial intermediation		35,276	17,936
Other operating income (expenses)		(27,268)	(16,678)
Service revenue	22	1,682	1,798
Income from banking fees	22	18,846	15,488
Personnel expenses	23	(23,168)	(19,201)
Administrative expenses	24	(25,366)	(17,579)
Tax expenses	25	(5,213)	(4,112)
Expenses on provisions	26	(2,200)	(2,863)
Other operating income	27	14,831	14,551
Other operating expenses	28	(6,680)	(4,760)
Operating profit		8,008	1,258
Non-operating profit	29	353	352
Profit before taxes on income and profit sharing		8,361	1,610
Income tax and social contribution	30	(5,204)	(188)
Provision for income tax		(1,558)	(851)
Provision for social contribution		(1,286)	(709)
Deferred tax assets		(2,360)	1,372
Statutory profit sharing		(510)	(142)
Net profit for the semester		2,647	1,280
Earnings per thousand shares - R\$		6.24	3.02

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

BANCO PAULISTA S.A.
Statements of comprehensive income (loss)
Semesters ended June 30, 2022, and 2021
(In thousands of reais)

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

	<u>30/06/2022</u>	<u>30/06/2021</u>
Net profit for the semester	2,647	1,280
Other comprehensive earnings	230	323
Available-for-sale financial instruments	419	587
Income tax and social contribution	(189)	(264)
Comprehensive net profit for the semester	<u>2,877</u>	<u>1,603</u>

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

BANCO PAULISTA S.A.
Statements of changes in equity
Semesters ended June 30, 2022, and 2021
(In thousands of reais)

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

	Capital Social	Earnings reserve		Adjustment to market value	Retained earnings	TOTAL
		Legal reserve	Statutory reserve			
Balances at December 31, 2020	184,300	-	-	173	(1,213)	183,260
Net profit for the semester	-	-	-	-	1,280	1,280
Legal reserve	-	4	-	-	(4)	-
Statutory reserve	-	-	63	-	(63)	-
MtM adjustment - securities and derivatives	-	-	-	323	-	323
Balances at June 30, 2021	184,300	4	63	496	-	184,863
Changes in the semester	-	4	63	323	1,213	1,603
Balances at December 31, 2021	184,300	240	2,550	(1,505)	-	185,585
Net profit for the semester	-	-	-	-	2,647	2,647
Legal reserve	-	132	-	-	(132)	-
Statutory reserve	-	-	2,515	-	(2,515)	-
MtM adjustment - securities and derivatives	-	-	-	230	-	230
Balances at June 30, 2022	184,300	372	5,065	(1,275)	-	188,462
Changes in the semester	-	132	2,515	230	-	2,877

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

BANCO PAULISTA S.A.
Statements of cash flows - Indirect method
Semesters ended June 30, 2022, and 2021
(In thousands of reais)

(Free translation from the original issued in Portuguese.
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	<u>30/06/2022</u>	<u>30/06/2021</u>
Adjusted net profit for the semester	89,182	23,598
Net profit for the semester	2,647	1,280
Adjustments to reconcile profit to net cash	86,535	22,318
Allowance for expected credit losses (Note 8e)	2,268	(48)
Provisions for deferred income tax and social contribution	2,360	(1,372)
Depreciation and amortization (Note 27)	492	467
Inflation adjustment of judicial deposits	(158)	(27)
Reversal of provision for civil, tax and labor risks	(1,636)	(117)
Reversals of judicial deposits	-	65
Provision for risks	1,282	1,345
Provisions for guarantees	72	115
Provisions for tax assessment notice - Federal Revenue Service (Note 18)	782	1,403
Provisions for income tax and social contribution	2,844	1,560
Borrowing costs	76,664	23,691
Expenses on payroll loans - INSS/FGTS	1,906	1,920
MtM adjustment - securities	(571)	(6,684)
Adjustment to fair value - securities and derivatives	230	-
Changes in assets and liabilities		
Decrease (increase) in investments in interbank deposits	(16)	4
(Increase) decrease in securities	50,557	(1,222)
(Increase) in interbranch and interbank accounts	(2,811)	(1,966)
(Increase) decrease in lending operations	(118,281)	(50,542)
(Increase) in other assets	(2,773)	(17,193)
(Increase) decrease in trading account and financial intermediation	1,402	143
Decrease (increase) in derivative financial instruments	801	(2,061)
Decrease (Increase) in tax credits	188	264
(Decrease) in trade and other receivables	79,159	20,586
Increase in deposits	(76,318)	147,139
(Decrease) in money market funding	(23,701)	(3,782)
Increase (decrease) in other liabilities	1,926	2,568
(Decrease) in tax and social security obligations	(7,316)	(5,072)
(Increase) in tax and social security obligations	(300)	-
(decrease) increase in provisions	810	(192)
Net cash provided by (used in) operating activities	(7,491)	112,272
Cash flows from investing activities		
Acquisition of property and equipment in use	(30)	(36)
Investments in intangible assets	(21)	-
Intangible assets disposed of	-	-
Fixed assets disposed of	-	-
Investments	-	(228)
Net cash provided by (used in) investing activities	(51)	(264)
Cash flow from financing activities		
Capital increase (Note 19a)	-	-
Capital reduction	-	-
Interest on the Stockholders' Equity	-	-
(Decrease) in borrowings and onlendings	(5)	-
Increase in funds from acceptances and issuance of securities	7,455	(267)
Increase in subordinated debt	24,905	468
Net cash provided by financing activities	32,355	201
(Decrease) increase in cash and cash equivalents	24,813	112,209
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the semester (Note 4)	121,809	125,208
Cash and cash equivalents at the end of the semester (Note 4)	146,622	237,417
	24,813	112,209

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

Banco Paulista S.A.

Notes to the financial statements

As of June 30, 2022, and December 31, 2021

(In thousands of reais)

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

1. General Information

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

During the year 2021, BANCO PAULISTA continued its Real Estate Collateral Credit activities, and started the origination of payroll loans (INSS/SIAPE) and, in 2022, started the anticipation of FGTS birthday withdrawal.

Impact of COVID-19 on the financial statements

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

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

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

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

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

2. Basis of presentation and preparation of the financial statements

- a) The financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil (Bacen), which include the accounting standards established in the Standard Chart of Accounts of Institutions taking part in the National Financial System (Cosif), and the standards issued by the National Monetary Council (CMN), the Central Bank of Brazil and Brazilian Corporate Law.

Banco Paulista S.A.

Notes to the financial statements

As of June 30, 2022, and December 31, 2021

(In thousands of reais)

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Accounting estimates are determined by Management based on factors and assumptions established in reliance upon judgments. Significant items subject to these estimates and assumptions 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 (IFRS), 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 August 25, 2022.

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

3. Summary of significant accounting policies

a) Recognition of profit or loss

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

Finance income and 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 and 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.

Banco Paulista S.A.

Notes to the financial statements

As of June 30, 2022, and December 31, 2021

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c) Financial Instruments

Short-term interbank investments

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

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

Securities and derivative financial instruments

As established by BACEN Circular Letter 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.

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 recorded in 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 daily;
- *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.

Banco Paulista S.A.

Notes to the financial statements

As of June 30, 2022, and December 31, 2021

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

Lending operations and allowance for expected credit losses

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

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

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

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

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

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

Banco Paulista S.A.

Notes to the financial statements

As of June 30, 2022, and December 31, 2021

(In thousands of reais)

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CMN Resolution 4.803, as amended by the abovementioned CMN Resolution 4.855, permitted financial institutions to reclassify transactions renegotiated between March 1 to December 31, 2020 to the level they were classified into on February 29, 2020 (as amended by Resolution 4.855), except those transactions that were past due as of February 29, 2020 for a term equal or above 15 days and for which there are indications of incapacity to honor the new renegotiated conditions.

CMN Resolution 4.855, of September 24, 2020, effective on January 1, 2021, determined that, for purposes of recognizing an allowance for transactions conducted under the scope of the programs launched to face the effects of the COVID-19 pandemic on economy, in which resources and risks are shared between the federal government and the participating institutions, or collateral provided by the federal government, the percentages provided for in Resolution 2.682 will only be applied on the portion of the carrying amount of the transaction whose credit risk is held by the institution. In case of transfer to loss, the amount to be maintained in memorandum accounts must be 100% of the transaction balance.

The Bank did not apply the criteria allowed by Resolutions 4.803 and 4.855 during the first semester of 2022.

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.

d) Investments

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

e) Property and equipment and intangible assets

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

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

Intangible assets correspond to rights acquired in intangible assets for the maintenance of the Company's activities or exercised for such purpose. They are recorded at acquisition cost, less accumulated amortization.

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Intangible assets with finite useful lives are amortized based on its effective use or a method that reflects its economic benefits; intangible assets with indeterminate useful life are tested for impairment annually.

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) 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 securities backing the transactions.

h) Current and deferred income tax and social contribution

Current

The provisions for corporate 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\$ 240,000 in the year (R\$ 120,000 in the six-month period).

Social contribution must comply with the following rates:

- Until June 2021 - 20% (Law 7689 - Article 3);
- From July 2021 to December 2021 - 25% (Law 14183);
- From January 2022 to December 2022 - 20%;
- From August 2022 to December 2022 - 21% (Decree 1115);
- January 2023 onwards - 20%.

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Deferred

Deferred taxes were calculated on temporary additions and exclusions. 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.

i) 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 advisors and Management, the risk of loss in a lawsuit or administrative proceeding is assessed as probable, with a likely disbursement of funds to settle the obligations, and when the relevant amounts can be reliably measured. Contingent liabilities assessed by the legal advisors 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 monthly.

j) Other current and noncurrent assets and liabilities

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

k) 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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l) Recurring and nonrecurring profit or loss

Article 34 of Bacen 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 June 30, 2022 and December 31, 2021, cash and cash equivalents were broken down as follows:

	<u>6/30/2022</u>	<u>12/31/2021</u>
Cash in local currency	546	1,186
Cash in foreign currency	579	625
Money market investments (Note 5a)	<u>145,497</u>	<u>119,998</u>
Cash and cash equivalents	<u>146,622</u>	<u>121,809</u>

5. Short-term interbank investments

a) Money market investments

	<u>6/30/2022</u>		<u>12/31/2021</u>
	<u>1 to 30 days</u>	<u>Total</u>	<u>Total</u>
Money market investments			
Own portfolio:	<u>145,497</u>	<u>145,497</u>	<u>119,998</u>
Financial Treasury Bills (LFT)	-	-	30,001
National Treasury Bills (LTN)	115,499	115,499	-
National Treasury Notess (NTN)	29,998	29,998	89,997
Total	<u>145,497</u>	<u>145,497</u>	<u>119,998</u>

In the semester ended June 30, 2022, the result on transactions under repurchase agreements was R\$ 7,720 (R\$ 2,418 in 2021).

b) Investments in interbank deposits

	<u>6/30/2022</u>	<u>12/31/2021</u>
Up to 90 days	3,029	3,013
Total	<u>3,029</u>	<u>3,013</u>

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In the semester ended June 30, 2022, income from interbank deposits was R\$ 183 (R\$ 19 in 2021).

6. Securities

a) Securities - Breakdown by classification

	6/30/2022		12/31/2021	
	Cost (i)	Market (ii)	Cost (i)	Market (ii)
Trading securities				
Own portfolio – trading	71,966	72,010	52,222	51,966
Financial Treasury Bills (LFT)	61,444	61,465	402	402
National Treasury Bills (NTN)	-	-	41,076	40,839
Agricultural Debt Securities (TDA)	2	1	2	2
Units in Investment Funds (CFI) (iii)	8,814	8,814	9,813	9,813
Debentures	1,020	1,022	-	-
Shares of listed companies	52	52	53	53
Certificates of Real Estate Receivables (“CRIs”)	634	656	876	857
Total trading securities	71,966	72,010	52,222	51,966
Available-for-sale securities				
Own portfolio – trading	150,454	145,742	188,627	184,439
Financial Treasury Bills (LFT)	6,088	6,092	15,995	16,002
National Treasury Bills (NTN)	102,136	97,347	115,589	111,444
Agricultural Debt Securities – TDA	5	3	5	4
Units in Investment Funds - CFI (iii)	40,557	40,684	40,742	40,742
Certificates of Real Estate Receivables (“CRIs”)	1,668	1,616	16,296	16,247
Linked to repurchase agreements	36,665	34,769	57,645	55,795
Financial Treasury Bills (LFT)	-	-	6,016	6,018
National Treasury Bills (NTN)	36,665	34,769	51,629	49,777
Linked to guarantees given (iv)	42,046	42,052	40,722	40,713
Financial Treasury Bills (LFT)	28,665	28,671	28,303	28,294
Units in Investment Funds - CFI (iii)	13,381	13,381	12,419	12,419
Total available-for-sale securities	229,165	222,563	286,994	280,947
Held-to-maturity securities				
Own portfolio – trading	154,810	154,810	166,456	166,456
Units in Receivables Funds - FIDC (iii)	154,810	154,810	166,456	166,456
Total held-to-maturity securities	154,810	154,810	166,456	166,456
Total	455,941	449,383	505,672	499,369

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(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 value

The market value of public securities is calculated 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>6/30/2022</u>	<u>12/31/2021</u>
FIP	INDUSTRIAL PARKS BRASIL FIP MULTIESTRATÉGIA (a)		1,570	3,044
FIDC	ESMERALDA - FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS		3,719	3,246
FIDC	FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS CREDZ		3,525	3,523
		Total Funds Invested for trading	8,814	9,813
FIC FIM	SUPRA MID FUNDO DE INVESTIMENTO EM COTAS DE FUNDOS DE INVESTIMENTO MULTIMERCADO - CRÉDITO PRIVADO		17,818	16,761
FIC FIM	PAULISTA CONSIGNADO FUNDO DE INVESTIMENTO EM COTAS DE FUNDOS DE INVESTIMENTO MULTIMERCADO CRÉDITO PRIVADO (b)		19,289	17,546
FIC FIM	PAULISTA CONSIGNADO II FUNDO DE INVESTIMENTO EM COTAS DE FUNDOS DE INVESTIMENTO MULTIMERCADO CRÉDITO PRIVADO (a)		-	3,224
FIDC	ESMERALDA - FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS		2,589	2,229
FII	SINGULARE FUNDO DE INVESTIMENTO IMOBILIÁRIO		983	971
FIM	FUNDO DE INVESTIMENTO LIQUIDEZ CAMARA		13,381	12,419
FIP	INDUSTRIAL PARKS BRASIL FIP MULTIESTRATÉGIA (a)		5	11
		Total Funds Invested available for sale	54,065	53,161
FIDC	SILLER FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS - NÃO PADRONIZADOS (c)		103,045	113,439
FIDC	STRUCTURE FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS (d)		48,265	49,517
FIDC	FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS CREDZ		3,500	3,500
		Total Funds Invested held to maturity	154,810	166,456
		Total	217,689	229,430

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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 up to November 19, 2023.

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

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

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

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

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

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

During the year 2021, the Bank assigned payroll loans to BPD FUNDO DE INVESTIMENTOS EM DIREITOS CREDITÓRIOS CONSIGNADOS for the amount of R\$ 49,215, whose notional value amounted to R\$ 65,915. As a result of this assignment, a profit of R\$ 8,775 was recorded in “Profit from assignment of receivables”.

- (c) SILLER FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS NÃO PADRONIZADOS started operations on October 30, 2020 as a closed-end fund administered by Singulare Corretora de Títulos e Valores Mobiliários S.A., with a duration of 96 months.

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

- (d) STRUCTURE FUNDO DE INVESTIMENTO EM DIREITOS CREDITÓRIOS started operations on November 29, 2019 as a closed-end fund 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

Securities pledged as collaterals refer to securities linked to transactions traded on B3 S.A.- Brasil, Bolsa, Balcão in the amount of de R\$ 42,052 (R\$ 40,713 as of December 31, 2021). These securities may be replaced with other securities if selling them is needed.

b) Securities - Breakdown by maturity

	6/30/2022					Total	12/31/2021
	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)	-	-	521	3,545	57,399	61,465	402
National Treasury Bills (NTN)	-	-	-	-	-	-	40,839
Agricultural Debt Securities (TDA)	-	1	-	-	-	1	2
Investment fund units (CFI)	8,814	-	-	-	-	8,814	9,813
Debentures	-	-	-	1,022	-	1,022	-
Shares of listed companies	52	-	-	-	-	52	53
Certificates of Real Estate Receivables ("CRIs")	-	-	-	656	-	656	857
Total trading securities (i)	8,866	1	521	5,223	57,399	72,010	51,966
Available-for-sale securities							
Financial Treasury Bills (LFT)	-	-	-	32,666	2,097	34,763	50,314
National Treasury Bills (NTN)	-	9,671	-	-	122,445	132,116	161,221
Agricultural Debt Securities – TDA	-	-	-	1	2	3	4
Certificates of Real Estate Receivables ("CRIs")	-	-	-	-	1,616	1,616	16,247
Investment fund units – CFI	54,065	-	-	-	-	54,065	53,161
Total available-for-sale securities (i)	54,065	9,671	-	32,667	126,160	222,563	280,947
Held-to-maturity securities							
Units in Receivables Funds – FIDC	-	-	48,265	3,500	103,045	154,810	166,456
Total held-to-maturity securities	-	-	48,265	3,500	103,045	154,810	166,456
Total	62,931	9,672	48,786	41,390	286,604	449,383	499,369

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

In the semester ended June 30, 2022, gain on securities investment was R\$ 34,109 (R\$ 12,033 in 2021).

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

There was no reclassification of categories of securities in the semester ended June 30, 2022, and year ended December 31, 2021.

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7. Derivative financial instruments

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

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

As of June 30, 2022 and December 31, 2021, derivatives recorded in statement of financial position accounts, including MtM, are as follows:

	6/30/2022				12/31/2021			
	Notional value	Assets	Liabilities	Net	Notional value	Assets	Liabilities	Net
Non-deliverable								
Forwards (NDF)	2,551	109	-	109	39,537	910	-	910
Total	2,551	109	-	109	39,537	910	-	910

a) Analytical breakdown of transactions

Description	6/30/2022		12/31/2021	
	Notional amount (In reais)	Book value receivable (payable)	Notional value (In reais)	Book value receivable (payable)
Forwards				
Real x USD	2,551	109	39,537	910
Total	2,551	109	39,537	910

b) Derivatives mature as follows:

Description	6/30/2022		12/31/2021	
	Up to 3 months	Total	Up to 3 months	Total
Non-deliverable forwards (NDFs)	109	109	910	910

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 has derivative transactions that are carried out in futures market - B3. Such transactions are exclusively pegged to foreign currency futures, which as of June 30, 2022 have a notional value of R\$ 95,218 (R\$ 40,723 on December 31, 2021), and an adjustment receivable of R\$ 21 (R\$ 841 receivable on December 31, 2021) was determined.

All derivative transactions performed by the Bank are registered with B3. DI futures and foreign currency contracts are mainly 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>6/30/2022</u>	<u>12/31/2021</u>
Financial Treasury Bills (LFT)	6,500	7,280
	<u>6,500</u>	<u>7,280</u>

d) Gain (loss) on derivative financial instruments

Gain (loss) on derivative transactions in the semesters ended June 30, 2022, and 2021 are as follows:

	<u>6/30/2022</u>	<u>6/30/2021</u>
Futures	2,824	(1,291)
Non-deliverable forwards - NDF	<u>(3,487)</u>	<u>90</u>
	<u>(663)</u>	<u>(1,201)</u>

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8. Lending operations

As of June 30, 2022, and December 31, 2021, lending operations are broken down as follows:

a) By type of operation

	<u>6/30/2022</u>	<u>12/31/2021</u>
Lending operations:		
Loans and discounted notes	566,609	479,975
Financing - Export credit bills	148,206	131,406
Financing - Rural to agro-industrial	33,306	18,678
	<u>748,121</u>	<u>630,059</u>
Other receivables:		
Receivables without recourse	123,333	219,348
	<u>123,333</u>	<u>219,348</u>
Total lending operations	<u>871,454</u>	<u>849,407</u>
Expected credit losses	(9,351)	(7,302)
Other expected credit losses	(1,233)	(1,002)
Total expected credit losses	<u>(10,584)</u>	<u>(8,304)</u>
	<u>860,870</u>	<u>841,103</u>

b) By sector of activity

	<u>6/30/2022</u>	<u>12/31/2021</u>
Private sector		
Industry	83,788	83,460
Commerce	284,161	314,084
Services	275,271	250,172
Individuals	228,234	201,691
Total	<u>871,454</u>	<u>849,407</u>

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c) By maturity

	<u>6/30/2022</u>	<u>12/31/2021</u>
Past due	4,438	4,404
Falling due		
up to 90 days	171,535	255,560
91 to 180 days	70,097	121,950
181 to 360 days	160,843	90,082
over 360 days	464,541	377,411
Total	<u>871,454</u>	<u>849,407</u>

d) Portfolio breakdown by risk rating

Level	<u>Portfolio balances</u>					
	<u>6/30/2022</u>				<u>12/31/2021</u>	
	Performing	Past due	Total	%	Total	%
AA	-	-	-	-	119,147	14.03
A	167,379	-	167,379	19.21	62,964	7.41
B	647,885	1,199	649,084	74.48	638,660	75.19
C	48,481	693	49,174	5.64	24,338	2.86
D	2,858	598	3,456	0.40	3,063	0.36
E	412	330	742	0.08	899	0.11
F	-	747	747	0.09	71	0.01
G	-	110	110	0.01	14	-
H	1	761	762	0.09	251	0.03
	<u>867,016</u>	<u>4,438</u>	<u>871,454</u>	<u>100.00</u>	<u>849,407</u>	<u>100.00</u>

Level	<u>Provision</u>						
	<u>6/30/2022</u>					<u>12/31/2021</u>	
	% of allowance	Performing	Past due	Total	%	Total	%
A	0.5	837	-	837	7.91	315	3.79
B	1.0	6,479	12	6,491	61.33	6,386	76.91
C	3.0	1,454	21	1,475	13.94	730	8.79
D	10.0	286	60	346	3.26	306	3.69
E	30.0	124	99	223	2.11	270	3.25
F	50.0	-	373	373	3.52	36	0.43
G	70.0	-	77	77	0.73	10	0.12
H	100.0	1	761	762	7.20	251	3.02
		<u>9,181</u>	<u>1,403</u>	<u>10,584</u>	<u>100.00</u>	<u>8,304</u>	<u>100.00</u>

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e) Changes in the allowance for expected credit losses

	<u>6/30/2022</u>	<u>12/31/2021</u>
Balance at the beginning of the semester/year	8,304	9,169
Allowances, net	2,268	976
Borrowings derecognized against loss	12	(1,841)
Balance at the end of the semester/year	<u>10,584</u>	<u>8,304</u>

f) Renegotiated and recovered receivables

In the semester ended June 30, 2022, renegotiated receivables amounted to R\$ 6,269 (R\$ 6,748 in the year ended December 31, 2021). (*)

In the semester ended June 30, 2022, recovered receivables amounted to R\$ 3,819 (R\$ 1,217 in 2021).

g) Assignment of receivables

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

During the year ended December 31, 2021, the Bank acquired receivables under the "Agreement" for the amount of R\$ 94,113, whose notional values amounted to R\$ 139,951, resulting in a gain during the year of R\$ 6,370, recorded in "Income from financial intermediation - Lending operations".

The average acquisition rate was 1.0475% for each one of the assigned receivables, recorded in "Other assets - Sundry" (Note 12) for the amount of R\$ 4,347, which has been deferred over the term of the contracts acquired and recorded in "Other operating expenses - Deferral payroll loans INSS". (Note 28)

During the year 2021, the Bank assigned to BPD FUNDO DE INVESTIMENTOS EM DIREITOS CREDITÓRIOS CONSIGNADOS payroll loans previously acquired under the "Agreement" of R\$ 49,215, whose notional value amounted to R\$ 65,915. As a result of this assignment, a profit of R\$ 8,907 was recorded in "Profit from assignment of receivables". (Note 27)

There was no Assignment for the Fund BPD during the first semester of 2022.

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Under the conditions provided for in CMN Resolution 2.686/00, as of June 30, 2021, the Bank assigned past-due receivables without recourse arising from its lending operations for the amount of R\$ 900 (R\$ 5,000 in December 2020) to Paulista Companhia Securitizadora de Créditos Financeiros, a related entity, whose notional values adjusted for the carrying amount was R\$ 11,535 (R\$ 34,277 in December 2020). (Note 31)

On June 23, 2022, the Bank repurchased from Paulista Companhia Securitizadora de Créditos Financeiros, receivables previously assigned, at the amount R\$ 700, which notional values accounted for R\$ 8,681. As a result of this repurchase, a profit of R\$ 3,500 was recorded in "Profit from recovery of receivables".

h) Income from lending operations

	<u>6/30/2022</u>	<u>6/30/2021</u>
Loans and discounted notes (i)	57,363	23,712
Financing	10,299	3,375
Recovery of receivables written off as losses	3,819	1,217
Advances on deposits	35	59
Income from rural financing	1,396	8
Total profit from lending operations	<u>72,912</u>	<u>28,371</u>

- i. Variation in profit is due to increase in equity volume of the Portfolio of Credit Operations in the second semester of 2021, including in the anticipations of the FGTS birthday withdrawal in the activities of Real Estate Collateral Credit.

9. Trade and other receivables with characteristics of loans

	<u>6/30/2022</u>	<u>12/31/2021</u>
Current		
Federal court-ordered debt payments ("precatórios") (*)	2,606	2,670
Total current	<u>2,606</u>	<u>2,670</u>
Noncurrent		
Municipal court-ordered debt payments ("precatórios")	3,586	948
State court-ordered debt payments ("precatórios")	45,057	32,052
Federal court-ordered debt payments ("precatórios") (*)	14,917	13,241
Total non-current	<u>63,560</u>	<u>46,241</u>
	<u>66,166</u>	<u>48,911</u>
(-) Allowance for losses	<u>(641)</u>	<u>(473)</u>
Total	<u>65,525</u>	<u>48,438</u>

(*) Balance comprised of court-ordered debt payments ("precatórios") already issued by the federal government, a state or a municipal government arising from lawsuits for which a final unappealable decision has been issued, maturing between 2021 and 2030.

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10. Interbranch and interbank accounts

	<u>6/30/2022</u>	<u>12/31/2021</u>
Assets - current		
Offsetting services - Check and other countries	1,959	-
State-owned banks - Deposits linked to agreements (i)	<u>18,779</u>	<u>17,815</u>
	<u>20,738</u>	<u>17,815</u>
Liabilities - current		
Offsetting services - Check and other countries	154	-
Corresponding Banks	469	512
Third-party funds in transit	<u>1</u>	<u>-</u>
	<u>624</u>	<u>512</u>

- (i) Refers to checks deposited in Caixa Econômica Federal, 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.

11. Non-financial assets held for sale - received

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

	<u>6/30/2022</u>	<u>12/31/2021</u>
Current		
Vehicles	502	502
Properties (for housing purposes) (i)	2,879	2,879
	<u>3,381</u>	<u>3,381</u>

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

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12. Other assets - Sundry

	<u>6/30/2022</u>	<u>12/31/2021</u>
Current		
Recoverable taxes (i)	7,812	1,686
Sundry debtors - Brazil	616	570
Funding commissions deferred	1,560	1,726
Premium or discount due to transfer of assets - INSS payroll loans (ii)	945	1,082
Premium or discount due to transfer of assets - Advance of FGTS birthday withdrawal (ii)	5,917	-
Others	1,525	868
	<u>18,375</u>	<u>5,932</u>
Noncurrent		
Recoverable taxes (i)	22,642	34,008
Advances on foreign exchange contracts	673	673
Funding commissions deferred	2,419	3,045
Sundry debtors - Brazil	725	725
Premium or discount due to transfer of assets - INSS payroll loans (ii)	2,616	3,265
Premium or discount due to transfer of assets - Advance of FGTS birthday withdrawal (ii)	56	-
Debtors for security deposits (Note 34b)	7,869	6,816
	<u>37,000</u>	<u>48,532</u>

(i) Prepayment of prior year income tax and social contribution which were not offset.

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

13. Investments

	<u>6/30/2022</u>	<u>12/31/2021</u>
CERTA - Central de Registro de Títulos e Ativos S.A.	1,177	1,177
CIP - Câmara Interbancária de Pagamentos	1	1
Other investments	535	535
(-) Allowance for losses	(252)	(252)
	<u>1,461</u>	<u>1,461</u>

14. Intangible assets

	Amortization rate	Cost	Amortization	<u>6/30/2022</u>	<u>12/31/2021</u>
Software	20%	5,465	(4,755)	710	1,031
Other intangible assets (*)	-	2,387	-	2,387	2,387
	<u>-</u>	<u>7,852</u>	<u>(4,755)</u>	<u>3,097</u>	<u>3,418</u>

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As required by CPC 01, as of December 31, 2021, the Bank tested intangible assets for impairment for indications that the carrying amount of the assets exceeded their recoverable value, due to the adverse economic effects of the Covid-19 pandemic.

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

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

15. Deposits

a) By maturity:

	6/30/2022					12/31/2021
	Without maturity	1 to 90 days	91 to 360 days	Over 360 days	Total	Total
Demand - local currency	105,401	-	-	-	105,401	105,036
Demand - foreign currency	3	-	-	-	3	3
Interbank deposits	-	7,900	-	-	7,900	-
Time deposits	-	118,723	269,356	601,795	989,874	1,014,738
	105,404	126,623	269,356	601,795	1,103,178	1,119,777

In the semester ended June 30, 2022, expenses on “Deposits” were R\$ 58,855 (R\$ 18,611 in 2021) and expenses on “Credit Guarantee Fund” amounted to R\$ 864 (R\$ 707 in 2021). (Note 21)

b) Average rate applied:

	6/30/2022		12/31/2021	
	Fixed rate	Floating	Fixed rate	Floating
Interbank deposits	n/a	99.00	n/a	99.00
Time deposits	15.50	113.23	9.01	118.75

The rates used to raise floating CDB were 100% of IPCA (100% of IPCA in 2021) and from 98% to 125% of CDI (100% to 150% of CDI in 2021). For DI, a rate of 99.00% of CDI was used (99.00% of CDI in 2021).

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16. Money market funding

	6/30/2022		12/31/2021
	1-30 days	Total	Total
Own portfolio	34,009	34,009	55,045
Financial Treasury Bills (LFT)	-	-	5,993
National Treasury Bills (NTN)	34,009	34,009	49,052
Total	34,009	34,009	55,045

In the semester ended June 30, 2022, expenses on money market funding were R\$ 2,665 (R\$ 807 in 2021). (Note 21)

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

	6/30/2022					Total	12/31/2021
	Without maturity date	1 to 90 days	91 to 180 days	181 to 360 days	Over 360 days		Total
Payables due to onlendings	7,427	-	-	-	-	7,427	7,432
Domestic onlendings - state-owned institutions (i)	7,427	-	-	-	-	7,427	7,432
Funds from acceptances and issuance of securities	-	74,525	32,969	23,766	118,089	249,349	227,614
Obligations on issuance of Agricultural Receivables Notes - LCA (ii)	-	74,094	27,830	8,566	88,823	199,313	191,211
Obligations on Real Estate Receivables Bills - LCI (iii)	-	431	5,139	15,200	29,266	50,036	36,403
Subordinated debts	-	-	-	-	24,905	24,905	-
Subordinated debts eligible to capital (iv) (note 31)	-	-	-	-	24,905	24,905	-
	7,427	74,525	32,969	23,766	142,994	281,681	235,046

- (i) Domestic onlendings refer to resources deposited arising from the Ministry of Cities and Agencies under Special Agreements (state and municipal agencies and the Federal District and Housing Cooperatives) under the National Program for Support to Social Interest Housing - PSH;
- (ii) Refer to Agricultural Receivables Notes (LCA). A rate from 100% to 116% of CDI was used (100% to 126% of CDI in 2021);
- (iii) Refer to Real Estate Receivables Bills with the Bank's controlling shareholder (Note 31);
- (iv) Refers to Treasury Bills containing subordination clauses corresponding to instruments eligible to Tier-II capital authorized according to Resolution 4.192/13.

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In the semester ended June 30, 2022, expenses on funds from acceptances and issuance of securities were R\$ 13,075 (R\$ 3,566 in 2021). (Notes 21 and 31); and subordinated debts were R\$ 1,205 (R\$ 485 in 2021). (Note 21)

18. Provisions for payables

	<u>6/30/2022</u>	<u>12/31/2021</u>
Commissions without production	-	51
Vacation pay	2,626	2,914
13 th salary	828	-
Profit sharing	316	455
Rentals	194	190
Data processing	15	95
Third-party services	296	287
Legal fees	490	22
Others	56	43
Total	<u>4,821</u>	<u>4,057</u>

19. Other liabilities

a) Taxes and social security

	<u>6/30/2022</u>	<u>12/31/2021</u>
Current		
Taxes payable (i)	9,715	8,620
	<u>9,715</u>	<u>8,620</u>
Noncurrent		
Taxes payable (i)	8,538	13,738
	<u>8,538</u>	<u>13,738</u>

(i) Refers mainly to IRPJ, CSLL and IRRF tax assessment notices in the amount of R\$ 15,522 (R\$ 19,771 in 2021), in connection with Administrative Proceeding 16327-721.025/2018-35, which disallowed the expenses that had been included in the calculation bases of those taxes. The resulting debt has been paid in 60 monthly installments on a timely basis under an agreement made with the Brazilian Federal Revenue Service (RFB).

b) Sundry

	<u>6/30/2022</u>	<u>12/31/2021</u>
Current		
Collection notes in transit	2,458	86
Charges on amounts received under the PSH program	9	9
Other payables	751	1,023
	<u>3,218</u>	<u>1,118</u>

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20. Equity

a) Share capital

As of June 30, 2022, fully subscribed and paid-in capital is R\$ 184,300 (R\$ 184,300 as of December 31, 2021), represented by 424,458,216 registered shares (424,458,216 as of December 31, 2021), without par value, of which 212,229,108 are common shares (212,229,108 as of December 31, 2021) and 212,229,108 are preferred shares (212,229,108 as of December 31, 2021).

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. In the semester ended June 30, 2022, dividends and interest on the Stockholders' Equity were not recognized.

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.

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 for the Bank up to a maximum of 100% of capital.

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.

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

The balance of valuation adjustments to equity is negative by R\$ 1,275 (R\$ 1,505 negative in 2021) and corresponds to federal securities available for sale and fund units which are marked to the market. (Note 6)

f) Earnings reserve and accumulated losses

Under Resolution 3.605/08, the unallocated profit for year, after the recognition of a legal reserve, was allocated to the statutory earnings reserve. As of June 30, 2022, profit for the semester was R\$ 2,647 (R\$ 1,280, in 2021).

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21. Expenses on money market funding

	<u>6/30/2022</u>	<u>6/30/2021</u>
Time deposits (Note 15) (i)	58,855	18,604
Money market funding (Note 16)	2,665	807
Contributions to the Credit Guarantee Fund (FGC) (Note 15)	864	707
Interbank deposits (Note 15)	-	7
Treasury bills (Notes 17 and 31)	1,205	485
Agricultural Receivables Bills - LCA (Notes 17 and 31)	10,824	2,724
Real Estate Receivables Bills - LCI (Notes 17 and 31)	2,251	357
	<u>76,664</u>	<u>23,691</u>

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

22. Revenue from services and banking fees

a) Service revenue

	<u>6/30/2022</u>	<u>6/30/2021</u>
Custody services	51	898
Transaction structuring fees	439	299
Hiring fees	1,055	505
Other services	137	96
	<u>1,682</u>	<u>1,798</u>

b) Income from banking fees

	<u>6/30/2022</u>	<u>6/30/2021</u>
Fees on transfers of funds	484	557
Income from banking fees	18,347	14,906
Other fees	15	25
	<u>18,846</u>	<u>15,488</u>

23. Personnel expenses

	<u>6/30/2022</u>	<u>6/30/2021</u>
Salaries and wages	10,960	9,459
Social security taxes	5,052	4,292
Benefits	3,106	2,550
Fees	4,003	2,869
Training	30	23
Interns' compensation	17	8
	<u>23,168</u>	<u>19,201</u>

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24. Administrative expenses

	<u>6/30/2022</u>	<u>6/30/2021</u>
Consulting on lending operations	4,932	2,618
Specialized technical services	4,094	4,852
Data processing	7,586	5,579
Rentals	1,326	1,304
Financial system	807	653
Communications	364	332
Third-party services	431	424
Notary fees	505	560
Commissions to correspondents	4,012	-
Others	1,309	1,257
	<u>25,366</u>	<u>17,579</u>

25. Tax expenses

	<u>6/30/2022</u>	<u>6/30/2021</u>
Service tax (ISSQN)	1,038	876
Cofins (tax on revenue)	2,161	1,531
PIS (tax on revenue)	351	249
Others	1,663	1,456
	<u>5,213</u>	<u>4,112</u>

26. Expenses on provisions

	<u>6/30/2022</u>	<u>6/30/2021</u>
Adjustment for inflation of taxes and contributions (Note 34)	34	7
Contingencies - Judicial and legal (Note 34)	286	248
Provisions for labor claims (Note 34)	962	1,079
Expenses on RFB tax assessment notices (Note 19a)	782	1,403
Contingency-related fees	-	11
Provision on guarantees given	136	115
	<u>2,200</u>	<u>2,863</u>

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27. Other operating income

	<u>6/30/2022</u>	<u>6/30/2021</u>
Recovery of charges and expenses	409	325
Income from guarantees provided	244	244
Exchange gain	2,251	623
Interest on federal court-ordered debt payments	8,555	7,178
Adjustment for inflation of judicial deposits	158	27
Reversal of provision for risks	-	148
Reversal of provision for labor risks	1,360	-
Reversal of provision for civil risks	276	117
Reversal of provisions for guarantees	64	-
Profit from assignment of payroll loans	23	4,732
Reversal of provision for proceedings with RFB - Interest	1,414	1,154
Others	77	3
	<u>14,831</u>	<u>14,551</u>

28. Other operating expenses

	<u>6/30/2022</u>	<u>6/30/2021</u>
Expenses on recovery of CDC	530	638
Exchange rate changes	4	-
Deferral of payroll loans INSS	786	1,920
Deferral of acquisition of FGTS withdrawal	1,120	-
Amortization and depreciation	492	467
Interbank fees	15	32
Finance costs - PSH	278	232
Losses on fees	24	295
Other divisions	604	-
Deposits written off	1,386	-
Others	1,441	1,176
	<u>6,680</u>	<u>4,760</u>

29. Non-operating profit (loss)

	<u>6/30/2022</u>	<u>6/30/2021</u>
Lease of Reserva Metais brand	322	338
Fixed assets write-off	(1)	2
Others	32	12
	<u>353</u>	<u>352</u>

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30. Income tax and social contribution

a) Reconciliation of provisions for income tax and social contribution

	<u>6/30/2022</u>	<u>6/30/2021</u>
Profit before taxes on income and profit sharing	8,361	1,610
(-) Profit sharing	<u>(510)</u>	<u>(142)</u>
Profit before taxes and after profit sharing	7,851	1,468
Temporary additions and deductions	<u>(1,951)</u>	<u>17,521</u>
MtM adjustment - securities	(571)	4,613
Credit risk losses	2,268	1,861
Provision for tax risks	34	2,710
Provisions for RFB proceedings - Interest	(632)	2,557
Provision for contingent liabilities	(342)	-
Other temporary additions and exclusions	(2,708)	5,780
Permanent additions and deductions	<u>533</u>	<u>878</u>
Other permanent additions (exclusions)	533	878
Tax base	<u>6,433</u>	<u>19,867</u>
Income tax and social contribution	2,883	1,560
Deductions - tax incentives	<u>(39)</u>	<u>-</u>
Income tax and social contribution	2,844	1,560
Deferred tax assets	2,360	(1,372)
Total income tax and social contribution	<u>5,204</u>	<u>188</u>

b) Tax credits

Tax credits were recognized on the following:

	<u>6/30/2022</u>	<u>12/31/2021</u>
Credit risk losses and receivables written off as loss	21,183	22,209
Provision for Risks	3,599	3,907
Provisions for RFB proceedings - Interest	4,669	5,300
MtM adjustment - securities - Trading	2,917	3,485
Tax loss carryforwards	28,612	31,369
Other provisions (guarantees and sub-judice receivables)	<u>1,005</u>	<u>958</u>
Total tax credits	<u>61,985</u>	<u>67,228</u>
MtM adjustment - securities - Available for sale (i)	<u>2,317</u>	<u>2,737</u>
Total tax credits after MtM adjustment - securities - Available for sale	<u>64,302</u>	<u>69,965</u>

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

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Changes in tax credits during the semester and year are as follows:

	12/31/2020	Constitution	Realization/ Reversal	12/31/2021
Expected credit losses	15,241	-	(5,246)	9,995
Provision for tax risks and contingencies	4,180	393	-	4,573
MtM adjustment - securities - Trading	1,516	52	-	1,568
Tax loss carryforwards	13,454	662	-	14,116
Total tax credits	34,391	1,107	(5,246)	30,252
MtM adjustment – securities - Available for sale	(142)	1,374	-	1,232
Total tax credits after MtM adjustment - securities - Available for sale	34,249	2,481	(5,246)	31,484

	12/31/2021	Constitution	Realization/ Reversal	6/30/2022
Expected credit losses	9,995	-	(463)	9,532
Provision for tax risks and contingencies	4,573	-	(400)	4,173
MtM adjustment - securities - Trading	1,568	286	(541)	1,313
Tax loss carryforwards	14,116	-	(1,241)	12,875
Total tax credits	30,252	286	(2,645)	27,893
MtM adjustment – securities - Available for sale	1,232	-	(189)	1,043
Total tax credits after MtM adjustment - securities - Available for sale	31,484	286	(2,834)	28,936

Tax credits will be offset within the statutory term allowed 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 June 30, 2022 is R\$ 16,364. 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 periodically 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:

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Expected credit losses	100	1,000	1,049	1,102	1,157	1,215	1,276	1,339	1,294	-	9,532
Provision for tax risks and contingencies	-	-	1,143	1,143	1,143	744	-	-	-	-	4,173
Mark-to-market adjustment of securities – Trading	39	84	88	92	97	102	107	112	118	474	1,313
Mark-to-market adjustment of securities – Available for sale	31	66	69	73	76	80	84	88	93	383	1,043
Tax loss carryforwards	941	1,608	1,694	1,784	1,879	1,978	2,083	908	-	-	12,875
Total	1,111	2,758	4,043	4,194	4,352	4,119	3,550	2,447	1,505	857	28,936
Present value	979	2,169	2,851	2,633	2,424	2,030	1,552	949	516	261	16,364

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31. Related-party transactions

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

	<u>Assets (liabilities)</u>		<u>Revenue (expenses)</u>	
	<u>6/30/2022</u>	<u>12/31/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Demand deposits	(16,255)	(13,271)	-	-
Time deposits	(66,635)	(96,715)	(6,261)	(823)
Debtors pending settlement	21	840	-	-
Treasury bills – Subordinated debt (Note 17)	(24,905)	-	(1,205)	(468)
Real Estate Receivables Bills – LCI (Notes 17 and 21)	(13,280)	(11,075)	(2,252)	(357)
Agricultural Receivables Bills – LCA (Notes 17 and 21)	(42,282)	(41,943)	(9,088)	(968)
Receivables without recourse (*)	5,424	5,703	-	5,632

(*) Assignment of receivables without recourse with Paulista – Companhia Securitizadora de Créditos Financeiros S.A. In the amount R\$ 700 thousand, on June 30, 2022, and with BPD Fundo de Investimentos em Direitos Creditórios Consignados on December 31, 2022 (Note 8g).

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>6/30/2022</u>	<u>6/30/2021</u>
Fixed compensation	4,003	2,869
Social security taxes	901	646
Total	4,904	3,515

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 its responsibilities, relies on the support of the Risk and Control Committee and the Chief Risk Officer (CRO).

The risk appetite limits are monitored periodically 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.

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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.

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 daily operations and without incurring material losses. To hedge 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 borrower, 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.

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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.

d) Operational risk

The operational risk arises from internal or external fraud, labor claims and deficient occupational safety, inappropriate practices relating to customers, 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 relies 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.

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f) Sensitivity analysis

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

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

33. Endorsement, sureties and guarantees provided to third parties

As of June 30, 2022, the responsibility for endorsement, sureties, and guarantees provided to third parties, including receivables assigned without recourse, amounted to R\$ 35,207 (R\$ 32,292 in 2020). An allowance for losses of R\$ 1,074 (R\$ 1,002 in 2020) was recognized to cover potential losses on these transactions.

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

a) Contingent assets

As of June 30, 2022 and 2021, there are no contingent assets recorded.

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

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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 advisors.

b.3) Provision for tax and social security risks

The provisions for tax and social security risks are represented by lawsuits and administrative proceedings, mainly 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.

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

Provision for risks					
	Labor	Civil	Tax	6/30/2022	12/31/2021
Balance at the beginning of the semester/year	1,056	1,607	1,244	3,907	2,765
Recognition	962	286	34	1,282	1,829
Realization	(37)	46	-	9	(387)
Inflation adjustments	37	-	-	37	27
Reversals	(1,360)	(235)	-	(1,595)	(414)
Reversal of fees	-	(41)	-	(41)	87
Balance at the end of the semester/year	658	1,663	1,278	3,599	3,907

Deposits in court					
	Labor	Civil	Tax	6/30/2022	12/31/2021
Balance at the beginning of the semester/year	1,067	1,303	4,446	6,816	8,494
Inflation adjustments	42	-	116	158	123
Recognition	874	1,206	-	2,080	2,239
Reversals	214	(5)	-	209	(234)
Write-offs	(1,386)	-	-	(1,386)	-
Payments	-	(8)	-	(8)	(3,806)
Balance at the end of the semester/year	811	2,496	4,562	7,869	6,816

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c) Contingent liabilities assessed as possible losses

As of June 30, 2022, contingent liabilities classified as possible loss are represented by 24 civil lawsuits (137 lawsuits in 2021) involving R\$ 7,312 (R\$ 7,958 in 2021), 28 labor claims (28 claims in 2021) involving 467 (R\$ 4,506 in 2021) and 13 tax lawsuits (3 lawsuits in 2021) involving R\$ 5,484 (R\$ 479 in 2021). The amounts involved were calculated based on the respective claims (which does 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:

In addition to the lawsuits above, in December 2019, the Federal Revenue Service issued a tax assessment notice disallowing the use of administrative expenses in determining IRPJ, CSLL and IRRF in the amount of R\$ 36,150, which were assessed by the Bank's legal advisors as possible.

d) Proceedings in progress

d.1) Central Bank Administrative Proceeding

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

d.2) Tax Assessment Notice (Federal Revenue Service)

On February 8, 2018, the Federal Revenue Service (RFB) started the process of inspection, the investigation indicated that certain service expenses arising from commissions on foreign exchange transactions performed by the Bank were not supported by appropriate sufficient evidence to corroborate the provision of services. In addition, the investigation identified expenses lacking formal agreements, payments of expenses whose agreements lacked the rationale for remuneration or commission percentage and lack of request for purchases or quotes with other suppliers, which resulted in a tax assessment notice, regarding Income Tax, Social Contribution and Withholding Income Tax, being issued by the Federal Revenue Service ("RFB") in the amount of R\$ 55,586 thousand, whose balance adjusted for inflation through June 30, 2022 is R\$ 15,522 thousand, as presented in Note 19.a.

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The Federal Revenue Service (RFB) completed its inspection on December 03, 2019 and, as a result, it issued an additional tax assessment notice relating to the disallowance of deductibility for income tax, social contribution on net profit and withholding income tax.

On July 10, 2020, the Federal Revenue Service issued another supplementary tax assessment, adjusting the tax assessment from the inspection completed on December 3, 2019, according to the percentage of the fine applied. Regarding such assessments, the Bank filed an objection backed for their legal advisors, who assessed the probability of potential loss, the amount of R\$ 36,150 thousand.

d.3) Operation Car Wash

On May 08, 2019, the Bank was the target of the 61st phase of Operation Car Wash, dubbed “Disguises of Mammon”, whereby the Federal Prosecution Office (“MPF”) and the Federal Police investigate money laundering practices by means of foreign exchange transactions related to members of Odebrecht Group’s Structured Operations Sector, which resulted in the execution of search and seizure warrants at the Bank’s premises to identify any illegitimate service agreements. By the date of completion of these financial statements, no new position or requirements had been issued by that body;

On September 10, 2020, the 74th phase of Operation Car Wash was initiated having as targets the transactions the Bank carried out with Petróleo Brasileiro S.A. and Petrobras Biocombustível S.A. (collectively “Petrobras Group”) in the period from September 12, 2008 to March 18, 2011. This phase of the Operation deepened the investigation on possible illegal acts committed in connection with agreements that would have been made between the parties under which surcharges were allegedly applied, causing funds belonging to the executives involved in the related transactions to be frozen.

Currently, the Bank is not under criminal charge. Therefore, there is nothing to state regarding the success analysis in the financial level. It must be stated that there is no provision for criminal liability of corporate entities in the Brazilian Legal System, except for cases of environmental crimes. The abovementioned criminal proceedings are not result of environmental crimes apt to claim criminal liability of the corporate entity.

d.4) Update as of June 30, 2022

The Bank’s current Management has no knowledge of the transactions being investigated 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.

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The Bank reinforces its commitment to society, customers 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.

35. Operating limits

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

RWA and Basel ratio	6/30/2022	12/31/2021
Regulatory capital	200,257	169,707
Tier-I regulatory capital	175,352	169,707
Core Capital	175,352	169,707
Tier-II regulatory capital	24,905	-
RWA Cpad - Credit	1,178,626	1,097,496
RWA Cam - Foreign exchange	2,351	456
RWA Trading - Interest, commodities, shares	1,901	115,328
RWA Opad - Operational	382,728	495,803
RWA – Total	1,565,606	1,709,083
Minimum regulatory capital	125,248	136,727
Basel ratio (regulatory capital / Total RWA)	12.79%	9.93%
Tier-I ratio (Tier-I regulatory capital/ Total RWA)	11.20%	9.93%
Core Capital ratio (Core Capital / Total RWA)	11.20%	9.93%

Basel Ratio, for the reference date of June 30, 2022, determined in accordance with what is established in Resolution 2099/94, with amendments introduced by Resolutions 4192/13 and 4193/13, is 12.79% for the Financial Conglomerate.

The Bank is compliant with the requirements.

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

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

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37. Other information

a) Nonrecurring profit or loss

	<u>6/30/2022</u>	<u>6/30/2021</u>
<u>Net profit for the semester</u>	2,647	1,280
(-) <u>Nonrecurring profit or loss</u>		
Severance costs (Bank's restructuring)	(1,084)	(716)
Investigation process	(3)	(104)
Legal fees	(771)	(2,570)
Tax effects	836	1,091
Total nonrecurring profit or loss	(1,022)	(2,299)
<u>Recurring profit or loss</u>	<u>3,669</u>	<u>3,579</u>

b) Amendments to the bylaws

There were no amendments to bylaws during the semester ended June 30, 2022.

38. Other matters

- 1) During 2021, the Bank made a partial payment of the 2021 profit sharing to its employees in the amount of R\$ 212, under the collective bargaining agreement.

The final payment of R\$ 854 was made on February 28, 2022.

There were no new payments of profit sharing during the first semester of 2022.

- 2) Resolution CMN 4966 –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 3533, the Circular Letter 3068, and the Circular Letter 3082.

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 issue of Resolution 5019 which requires the preparation and availability to Bacen until December 31, 2022 of the implementation plan, approved by the Bank's board of directors, the document is being prepared and will be submitted to Bacen within the regulatory deadline.

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39. Events after the reporting period

From June 30, 2022 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 applied by the Company that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

* * *

Marcelo de Toledo Guimarães
Chief Executive Officer

Marcelo Chacon Ruiz
Director

Ana Cristina Alves Afonso
Chief Accountant