

www.pwc.com.br

(A free translation of the original in Portuguese)

Banco BTG Pactual S.A.
Consolidated financial statements at
December 31, 2022
and independent auditor's report



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Banco BTG Pactual S.A.

Qualified opinion

We have audited the accompanying consolidated financial statements of Banco BTG Pactual S.A. and its subsidiaries ("Institution" or "Consolidated"), which comprise the consolidated balance sheet as at December 31, 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco BTG Pactual S.A. and its subsidiaries as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for qualified opinion

Disposal of investment in associate

As described in note 3(f) to the financial statements, the Institution's management recognized, in the opening balance of the 2020 financial statements, the sale of the investment held by the Institution in EFG to the Holding S.A. by recording a write-off of the financial liability of the "Equity Linked Note" with a corresponding reduction of the investment recorded in EFG, resulting in a net positive result in 2019 of, approximately R\$ 1.5 billion. However, final regulatory approvals were completed in 2021. Accordingly, income and comprehensive income for the year ended December 31, 2021, presented for comparison purposes, are understated in the respective amount.

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Institution and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

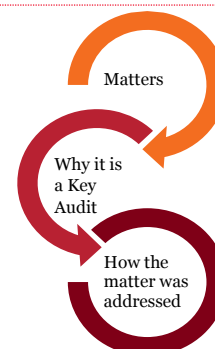


Banco BTG Pactual S.A.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the subject described in the section "Basis for Qualified Opinion", we have determined that the matters described below are the key audit matters to be communicated in our report.



Why it is a Key Audit Matter

How the matter was addressed in the audit

Fair value measurement of complex or illiquid financial instruments

As disclosed in Notes 3(b), 4(b), 4(d) and 9, the fair value measurement of complex or illiquid financial instruments is an area that includes subjectivity, as it depends on valuation techniques performed based on internal models and involving Management's assumptions for valuation of instruments and/or observable data.

We continue to consider this a focus area in our audit as the use of different valuation techniques and assumptions may produce significantly different fair value estimates and due to the materiality of the financial instruments in the context of the financial statements.

Our main audit procedures considered, among others, our understanding of the main processes involving the fair value measurement of financial instruments related to: (i) recording and confirmation of transaction data; (ii) criteria for fair value measurement; and (iii) reconciliation of accounting balances with analytical reports for balance sheet and income statement balances.

We also (i) tested the completeness and integrity of the data extracted from the underlying systems that serve as a basis for fair value measurement; and (ii) independently re-performed, on a sample basis, the calculations for measurement of financial instruments with the support of our specialists in pricing financial instruments in accordance with the requirements provided for by the International Financial Reporting Standards (IFRS).

We believe that the criteria adopted by management in the fair value measurement of these financial instruments are consistent with the information analyzed in our audit.

Measurement of the provision for expected losses associated with credit risk

As disclosed in Notes 3(b), 4(b and c) and 12, the provision for expected losses associated with credit risk is estimated based on the analysis of the loan operations and specific risks presented in each portfolio, considering the contractual terms, loss

Our procedures considered, among others, our understanding of the main processes related to: (i) granting of credit; (ii) attribution of risk level; and (iii) reconciliation of account balances with auxiliary reports.



Banco BTG Pactual S.A.

Why it is a Key Audit Matter

scenarios weighted by probability, the risk rating of the client based on the periodic analysis of the quality of the customer and sectors of activity, according to the criteria established by IFRS 9.

This is an area that has been defined as the focus of audit, because application of different criteria and judgment in measuring the provision for expected losses associated with credit risk could result in significant variations in the estimate of this provision.

How the matter was addressed in the audit

We also performed (i) analysis, on a sample basis, of the criteria described in the policy and their consistency with those used by management to determine the credit risk of the operations; (ii) tests regarding the validation of models applied in the determination of recoverable credit value on a sample basis, with the assistance of our specialists, considering the parameters developed for the most significant portfolios; (iii) tests on classification in stages provided for in IFRS 9, and (iv) test of the completeness and integrity of the data extracted from the underlying systems that serve as a basis for calculating the provision.

We believe that the criteria adopted by management to measure and record the provision for expected losses associated with credit risk are consistent with the information analyzed in our audit.

Tax credits in consolidated subsidiary

As disclosed in Notes 2 and 22, Banco Pan S.A. ("Bank"), an indirect subsidiary of the Institution, included in the consolidation process in the consolidated financial statements, has tax credits totaling R\$ 3.5 billion, arising from temporary differences in the calculation basis of corporate income tax and social contribution on net income and income tax and social contribution losses, recognized based on the projection of taxable income for the realization of these tax credits. This projection, prepared based on a study of the current and future scenario by the Bank's management, involves subjective judgments and assumptions.

We consider this an area of audit focus, as the use of different assumptions in the projection of taxable income could significantly modify the terms and amounts expected for the realization of tax credits.

Our key audit procedures considered the understanding of the calculation and recording processes, as well as an understanding of the significant assumptions used by management to project future taxable profit for purposes of estimating the realization of tax credits.

We compared the main assumptions used by Banco Pan S.A. to project taxable profits with the budget projections approved by its Board of Directors and with the macroeconomic projections disclosed in the market and analyzed historical data to corroborate the consistency of these realization estimates.

We believe that the assumptions and criteria adopted by management are consistent in relation to the initial recognition, maintenance and realization of the tax credit.



Banco BTG Pactual S.A.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) 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 consolidated 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 unless management either intends to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Institution and its subsidiaries.



Banco BTG Pactual S.A.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Institution'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, May 26, 2023

PricewaterhouseCoopers
Audidores Independentes Ltda.
CRC 2SP000160/O-5

DocuSigned by:
Edison Arisa Pereira
Assinado por: EDISON ARISA PEREIRA/00699003881
CPF: 00699003881
Data/Hora da Assinatura: 14 July 2023 | 15:54 BRT

Edison Arisa Pereira
Contador CRC 1SP127241/O-0



Financial statements under IFRS

Banco BTG Pactual S.A.

December 2022

Financial statements under IFRS

Banco BTG Pactual S.A.

Balance sheet

At December 31

(All amounts in thousands of reais)

	Note	12/31/2022	12/31/2021 (Restated)
Assets			
Cash	6	3,069,046	3,219,641
Financial instruments		398,146,160	299,944,027
Financial assets at fair value through profit or loss	7	156,996,525	155,599,968
Financial assets at fair value through other comprehensive income	8	16,455,650	9,686,575
Financial assets at amortized cost		224,693,984	134,657,484
Securities purchased under agreements to resell	10	65,365,726	20,313,318
Interbank deposits	11	8,748,546	4,128,570
Deposites Brazilian Central Bank		17,629,141	12,579,376
Credit operations	12	111,157,950	93,842,159
Securities	13	15,431,811	3,447,660
Other receivables		6,360,809	346,401
Deferred tax assets	22	5,787,356	7,993,117
Other assets	15	28,013,030	22,468,788
Investments in affiliates and jointly-controlled subsidiaries	16	7,917,758	7,524,503
Fixed-asset		508,618	348,872
Right-of-use	15	401,066	388,831
Intangible assets	17	10,253,420	10,403,750
Total assets		454,096,453	352,291,529
Liabilities			
Financial liabilities at fair value through profit or loss	7	62,834,530	34,992,672
Financial liabilities at amortized cost		297,156,935	242,411,376
Securities sold under repurchase agreements	14	87,139,332	57,944,638
Deposits		115,749,672	109,554,773
Funds from acceptances and issuance of securities		67,944,679	57,463,394
Borrowings, onlendings and leases		18,103,247	9,393,782
Subordinated debts and debt instruments eligible to capital		8,220,005	8,054,789
Tax liabilities	18	2,178,344	4,079,873
Current		1,484,157	1,983,095
Deferred		694,187	2,096,778
Sundry liabilities	19	23,214,981	13,346,165
Other liabilities	20	10,207,782	8,273,157
Social and statutory liabilities		3,569,719	3,102,618
Provision for contingent liabilities	21	5,091,446	1,870,228
Provision for loss on financial guarantees		275,636	205,710
Total liabilities		404,529,372	308,281,799
Equity			
Capital	23	15,760,364	15,760,364
Treasury shares		(231,252)	-
Capital reserves		652,515	652,515
Revenue reserves		25,155,067	20,111,693
Other comprehensive income		3,590,324	3,774,191
Total equity of controlling stockholders		44,927,018	40,298,763
Non-controlling interest		4,640,064	3,710,967
Total equity		49,567,081	44,009,730
Total liabilities and equity		454,096,453	352,291,529

See the accompanying notes to the financial statements under IFRS.

Financial statements under IFRS

Banco BTG Pactual S.A.

Statement of income

Years ended December 31

(All amounts in thousands of reais, unless otherwise stated)

	Note	12/31/2022	12/31/2021 (Restated)
Profit (loss) from financial instruments	25	21,333,925	10,104,066
Expected losses from credit risk		(4,650,965)	(869,793)
Net foreign exchange variations		1,200,631	951,409
Revenue from provision of services	26	8,400,584	6,633,005
Equity in the earnings of subsidiary, affiliates and jointly-controlled subsidiaries	16	748,437	1,639,716
Administrative expenses	28	(8,552,081)	(5,564,558)
Personnel expenses		(4,997,240)	(3,946,945)
Tax expenses		(1,628,460)	(1,033,714)
Other revenues / (expenses)	27	(2,251,844)	3,551,077
Operating profit before taxes		9,602,987	11,464,264
Income tax and social contribution	22	(1,582,792)	(4,774,618)
Provision for current income tax and social contribution		(904,145)	(667,127)
Provision for deferred income tax and social contribution		(678,647)	(4,107,491)
Net income for the year		8,020,194	6,689,646
Profit attributable to controlling stockholders		7,564,216	6,899,716
Profit (loss) attributable to non-controlling stockholders		455,978	(210,070)
Net income per share - Basic		0.70	0.58
Net income per share - Diluted		0.70	0.58

See the accompanying notes to the financial statements under IFRS.

Financial statements under IFRS

Banco BTG Pactual S.A.

Statement of comprehensive income

Years ended December 31

(All amounts in thousands of reais)

	12/31/2022	12/31/2021 (Restated)
Net income for the year	8,020,194	6,689,646
Other comprehensive income with reclassification to profit or loss		
Change in carrying value adjustments - affiliates and jointly-controlled subsidiary	(114,422)	29,602
Change in carrying value adjustments of financial assets at fair value through other comprehensive income	(10,499)	(146,872)
Foreign exchange variation on investments abroad	(1,088,823)	31,219
Hedge from foreign investments	1,090,005	(25,600)
Total comprehensive income	7,896,455	6,577,995
Comprehensive income attributable to controlling stockholders	7,827,666	6,681,961
Comprehensive income attributable to non-controlling stockholders	68,789	(103,966)

See the accompanying notes to the financial statements under IFRS.

Financial statements under IFRS

Banco BTG Pactual S.A.

Consolidated Statement of Changes in Stockholders' Equity

Years ended December 31

(In thousands of Reais, except for the amount of dividends per share)

	Note	Capital	Capital reserves	Revenue reserves	Other comprehensive income	Treasury shares	Retained earnings	Total controlling stockholders	Total non-controlling stockholders	Total
Balances at December 31, 2020		10,068,456	652,515	14,251,918	3,885,842	-	-	28,858,731	413,395	29,272,126
Capital increase	2	5,797,288	-	-	-	-	-	5,797,288	-	5,797,288
Primary public offering costs		(50,167)	-	-	-	-	-	(50,167)	-	(50,167)
Variation from equity valuation adjustments of subsidiaries, affiliates and jointly-owned subsidiary		-	-	379,847	29,602	-	-	409,448	-	409,448
Change in the equity valuation adjustments of financial assets at fair value through other comprehensive income		-	-	-	(146,872)	-	-	(146,872)	-	(146,872)
Accumulated translation adjustments		-	-	-	23,321	-	-	23,321	-	23,321
Foreign exchange variation on foreign investments		-	-	-	7,898	-	-	7,898	-	7,898
Hedge from foreign investments		-	-	-	(25,600)	-	-	(25,600)	-	(25,600)
Interim interest on capital (R\$ 0.06 per share)		-	-	(650,001)	-	-	-	(650,001)	-	(650,001)
Net income for the year		-	-	-	-	-	6,899,716	6,899,716	(210,070)	6,689,645
Allocations of net income										
Revenue reserve		-	-	6,074,715	-	-	(6,074,716)	-	-	-
Interim interest on capital (R\$ 0.07 per share)		-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Other		(55,213)	-	55,213	-	-	-	-	-	-
Addition to non-controlling stockholders		-	-	-	-	-	-	-	3,507,643	3,507,643
Balances at December 31, 2021 (Restated)		15,760,364	652,515	20,111,693	3,774,191	-	-	40,298,763	3,710,967	44,009,730
Acquisition of treasury shares	22	-	-	-	-	(231,252)	-	(231,252)	-	(231,252)
Change in carrying value adjustments of affiliates and jointly-controlled subsidiary		-	-	(5,843)	(114,422)	-	-	(120,265)	-	(120,265)
Change in carrying value adjustments of financial assets at fair value through other comprehensive income		-	-	-	(10,499)	-	-	(10,499)	-	(10,499)
Foreign exchange variation on investments		-	-	-	(60,127)	-	-	(60,127)	-	(60,127)
Accumulated translation adjustments		-	-	-	(1,088,823)	-	-	(1,088,823)	-	(1,088,823)
Hedge from foreign investments		-	-	-	1,090,005	-	-	1,090,005	-	1,090,005
Net income for the year		-	-	-	-	-	7,564,216	7,564,216	455,978	8,020,194
Allocations of net income										
Revenue reserve		-	-	5,049,217	-	-	(5,049,216)	-	-	-
Interim interest on capital (R\$ 0.22 per share)	22	-	-	-	-	-	(2,515,000)	(2,515,000)	-	(2,515,000)
Addition to non-controlling stockholders	22	-	-	-	-	-	-	-	473,119	473,119
Balances at December 31, 2022		15,760,364	652,515	25,155,067	3,590,324	(231,252)	-	44,927,017	4,640,064	49,567,081

See the accompanying notes to the financial statements under IFRS.

Financial statements under IFRS

Banco BTG Pactual S.A.

Statement of cash flows

Years ended December 31

(All amounts in thousands of reais)

	Note	2022	2021 (Restated)
Operating activities			
Net income for the year		8,020,194	6,689,646
Adjustments to net income		5,835,707	2,660,486
Profit (loss) from interests in affiliates and jointly-controlled companies	16	(748,437)	(1,639,716)
Deferred tax assets	22	678,647	4,107,491
Provision for contingencies	21	330,317	93,749
Expected loss allowances associated with credit risk		4,650,965	147,550
Foreign exchange variation of permanent	16 17	259,929	(273,290)
Inflation adjustment of judicial deposits and other		(55,676)	(52,357)
Depreciation and amortization	28	719,962	277,059
Adjusted profit (loss) for the year		13,855,902	9,350,132
Increase/decrease in operating activities			
Securities purchased under agreements to resell		(110,134)	-
Interbank deposit investments		(4,619,976)	647,725
Credit operations		(15,625,499)	(44,968,846)
Securities at amortized cost		(11,984,151)	(2,319,402)
Financial assets at fair value through profit or loss		(31,079,279)	(28,994,478)
Financial assets at fair value through other comprehensive income		(6,769,075)	(4,998,924)
Other assets		(17,497,101)	(15,429,332)
Financial liabilities at fair value through profit or loss		27,841,858	1,907,224
Financial liabilities at amortized cost		24,020,344	74,155,574
Securities sold under repurchase agreements		29,194,694	2,740,199
Tax liabilities		(1,901,529)	3,198,258
Sundry liabilities		9,868,816	6,371,209
Other liabilities		5,910,850	14,616,641
Cash (used) / from operating activities		21,105,719	16,275,980
Investing activities			
Hedge of foreign investment, net		(1,090,004)	-
(Acquisition)/disposal of other investments	16	(1,589,826)	(2,633,696)
Dividends received	16	1,676,737	708,723
(Acquisition) / disposal of property and equipment		(277,176)	(231,070)
(Acquisition) / disposal of intangible assets	17	(872,303)	(8,844,575)
Cash (used in) / from investing activities		(2,152,572)	(11,000,618)
Financing activities			
Acquisition of treasury shares	22	(231,252)	-
Funds from acceptances and issuance of securities		1,377,017	-
Subordinated debt and debt instruments eligible to capital		153,504	-
Non-controlling interest in equity		929,097	3,661,369
Capital increase		-	5,797,288
Primary public offering costs		-	(50,167)
Interest on capital distributed	22	(2,025,000)	(1,746,000)
Cash flows from financing activities		203,366	7,662,490
Increase in cash and cash equivalents		19,156,512	12,937,852
Balances of cash and cash equivalents	30		
At the beginning of the year		57,344,251	44,406,399
Foreign exchange variations on cash and cash equivalents		55,676	-
At the end of the year		76,556,439	57,344,251
Increase in cash and cash equivalents		19,156,512	12,937,852

See the accompanying notes to the financial statements under IFRS.

Financial statements under IFRS

Banco BTG Pactual S.A.

1. Operating context

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual"), is organized in the form of a multiple bank, acts together with its subsidiaries ("BTG Pactual Group"), offering financial products and services regarding commercial, investments, credit, financing, capital lease, insurance, foreign exchange portfolios, among others, in the country and in several locations abroad. The head office of the Bank is located at Praia de Botafogo, 501 – 5º andar – Torre Corcovado, in the City and State of Rio de Janeiro. Its principal place of business is the office located on Av. Brigadeiro Faria Lima, 3477 – 14º andar (parte), in the City and State of São Paulo.

The transactions are carried out in the context of a group of companies that operate in an integrated manner in the financial market and some transactions are intermediated by other companies belonging to the BTG Pactual Group. The Bank's parent company is BTG Pactual Holding Financeira Ltda. ("Financial Holding"), which is controlled by BTG Pactual G7 Holding S.A. through BTG Pactual Holding S.A. ("Holding").

BTG Pactual has units listed on B3 S.A. in São Paulo. Each unit corresponds to 1 common share and 2 class A preferred shares.

Covid-19 pandemic | Context, Initiatives and Impacts

The COVID-19 pandemic caused a sharp change in the global scenario and posed huge challenges to all aspects of society - from health to safety to economy, friends, and families.

For companies such as BTG Pactual, this resulted in the need to adjust the operational model to preserve the cooperating defendants' health and safety and the proper service to our customers, who were always the focus of the Bank's activities. It also resulted in the need to focus on even more comprehensive responsibilities in relation to the communities where we operate.

Before addressing the equity and financial side of the period, we will describe some relevant initiatives taken in relation to the operational model e and the role we play in the countries where we operate:

- Despite the pandemic, we have preserved the Bank's operational bases with advances and diversification in services, through new operating features, and new communication channels made available to our customers.
- Our technology teams made, as needed, the necessary connectivity and security available for the new work environment (work from home), with all teams working in stable, continuous manner, without operational incidents - and with a high level of engagement and dedication to the Bank's activities. We are currently in a presential model mostly;
- From the first weeks of the crisis, the customer and operations teams have been able to carry out unprecedented transaction volumes in the primary and secondary markets, keeping the digital platform in perfect operating conditions and uninterruptedly available to our customer's full time; and
- Using cutting edge technology, we maintained ourselves close and available to customers in all segments, providing daily quality information and expert advice to support them in their various needs, their businesses, including management of their portfolios.

Financial statements under IFRS

Banco BTG Pactual S.A.

2. Corporate reorganizations and acquisitions

- **Corporate reorganizations and offers**

Issue of senior bonus

On July 1, 2021, BTG Pactual issued an unsecured senior bond (BTG 2025 bond) at a fixed rate of 4.50%, maturing in 2025, for USD250 million, with returns of 3.25% p.a. to investors. This bonus has an outstanding amount of USD 1 billion, of which USD 500 million issued in 2019, USD 250 million in 2020 and USD 250 million in 2021.

Share splits

In June 2021, upon the approval of the Central Bank of Brazil ("Bacen"), BTG Pactual shares were split, with a base date of June 30, 2021, in which each unit was divided into four. Once the same proportions were maintained, each unit then corresponded to 1 common share and 2 class A preferred shares. The split did not change the shareholders' rights or the proportion of their interest in the Bank's capital. All dividends that may be resolved by the meetings will reflect the stock split, and the Bank's capital stock has not been modified in this split.

Global Medium Term Notes Issuance

On January 6, 2021, the Bank, through its Cayman branch, issued Global Medium-Term Notes for the purpose of financing and refinancing eligible green projects and/or social projects, in the global nominal amount of USD 500 million at a fixed rate of 2.75% p.a., with maturity on January 11, 2026, and semiannual interest on January 11 and July 11 of each year.

Primary public offers

On January 13, 2021, the Bank carried out a primary public offering with restricted efforts to distribute 27,777,778 Units, comprising 27,777,778 Common Shares and 55,555,556 Preferred Shares. The book building procedure was concluded, with the establishment of the price per Unit of BRL92.52 and, consequently, the price per share of BRL30.84, which resulted in an offered amount of BRL2,570,000, which once deducted from the costs of issuance of BRL25,370, corresponds to the increase of the Bank's capital.

On May 28, 2021, the Bank carried out another primary public offering with restricted efforts to distribute 24,402,000 Units, comprising 24,402,000 Common Shares and 48,804,000 Preferred Shares. The book building procedure was concluded, with the establishment of the price per Unit of BRL122.01 and, consequently, the price per share of BRL40.67. This offer led to the raising of funds in the amount of BRL2,977,288, the amount of which, discounted from the issuance costs of BRL24,797, corresponded to the increase in the Bank's capital.

- **Acquisitions and sales**

Credpago Serviços de Cobrança S.A.

On June 29, 2021, the Bank sold to Loft Brasil Tecnologia Ltda. all the shares it held in Credpago Serviços de Cobrança S.A. for a total amount of BRL 1,568 million, the settlement was agreed to be made in (i) cash (partially on demand and the remainder to be paid in installments) and (ii) in shares of Loft Holdings Ltd. On September 16, 2021, the sale was approved by the regulatory agencies and was completed in the following days.

Financial statements under IFRS

Banco BTG Pactual S.A.

Empiricus

On May 31, 2021, the Bank entered into an agreement with the companies Empiricus Research Publicações Ltda., Vitreo Holding Financeira S.A., Vitreo Holding S.A., Vitreo Distribuidora de Títulos e Valores Mobiliários S.A., its subsidiaries and their respective shareholders (sellers) aiming at the acquisition of these companies and establishing long-term partnerships with the sellers. The purchase was approved by the regulatory agencies, and the merger of Holding Universa S.A. was concluded on December 1, 2021, in a way that the companies aforementioned became wholly-owned subsidiaries of BTG Pactual.

Banco Pan S.A.

On April 5, 2021, a purchase and sale agreement was entered into between CaixaPar and Banco Sistema (controlled by BTG Pactual), for the acquisition of all common shares, registered and without par value, issued by Banco Pan and held by CaixaPar, representing 49.2% of the voting share capital of Banco Pan, equivalent to 26.8% of the share capital. For the conclusion of the operation, Banco Sistema paid CaixaPar the total amount of approximately R\$ 3.7 billion, which corresponds to R\$ 11.42 for each Share object of the operation. In May 2021, after having attested the satisfaction of all conditions precedent, including applicable regulatory approvals, the acquisition was settled.

In June 2022, the evaluation of the allocation of assets for the acquisition of Banco Pan S.A. was concluded, with no material effects on the lines of assets. However, the figures for 2021 are being restated for comparative purposes.

The final allocation of the price paid indicates the following amounts, including the effects of step acquisition indicated under IFRS 3 – business combination:

	<u>R\$ million</u>
Price Paid for the purchase of interest in Banco Pan on May 31 (26.84%)	3,694
Prior equity interest at fair value on May 31 (44.85%)	6,084
Non-controlling interest on the net fair value of assets and liabilities (28.31%)	2,305
(a) Subtotal	12,083
Banco Pan's Equity on May 31, 2021 (100%)	5,476
Capital gains on assets / liabilities and identified assets (100%)	4,849
Deferred tax related to capital gains and identified assets of the acquired position and minority interest	(1,203)
(b) Subtotal	9,122
(c) Goodwill related to Banco Pan (a - b):	2,960

(a) It refers to the fair value of Banco Pan (corresponding to 100% of ON and PN shares). The position previously held by Banco BTG S.A. was remeasured as required by IFRS 3 (Acquisition in stages), and this remeasurement generated a result of R\$ 3,627 million.

(b) Related to the fair value of acquired assets and liabilities in obtainment of control.

(c) The Bank's management did not identify indications of impairment in relation to goodwill on the acquisition of control of Banco Pan. (Note 17)

The intangible assets identified in the transaction were:

R\$ million

Identified asset	Fair value calculated (referring to 100%)	Estimated useful life according to a report prepared by a specialized company
Client portfolio	1,607	8.4 years
Core deposits	553	10 years
Brand	278	N/A

Capital gains on assets and liabilities are written off according to the disposal (partial or total amortization) of the corresponding assets.

Financial statements under IFRS

Banco BTG Pactual S.A.

Kinvo Tecnologia da Informação Ltda

On March 16, 2021, the Bank signed, through BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., definitive documents related to the acquisition of Kinvo Tecnologia da Informação Ltda., for the amount of R\$ 72 million. This acquisition aims to expand the ecosystem of BTG Digital, complementing the offer of products and services to our clients. On May 17, 2021, the acquisition was approved by Bacen and the operation was concluded afterwards.

Necton Investimentos S.A.

On October 23, 2020, definitive documents were signed for the acquisition of 100% of the share capital of Necton Investimentos S.A. Corretora de Valores Mobiliários e Commodities, for the amount of R\$ 342 million. This acquisition is part of BTG Pactual's expansion strategy in the investment retail segment. On April 5, 2021, after having attested the satisfaction of all conditions precedent, including approval by regulatory authorities, the acquisition of 100% of Necton's share capital was concluded.

Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A.

On July 19, 2019, the Bank, through its investee BTG Pactual Asset Management S.A. DTVM, acquired 80% interest in Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A. ("Ourinvest"), and the latter maintained its administrative and operational independence, despite being a member of BTG Pactual Conglomerate. The purchase and sale agreement also provided for the purchase option of the remaining shares of Ourinvest until 2022 in two tranches of 10% each (the option related to the first tranche was exercised in March 2021 and the second tranche in March 2022). On November 16, 2022, the transaction was concluded after satisfaction of all conditions precedent, including regulatory approvals.

Acquisition of minority interest in CSD Central de Serviços de Registro e Depósito aos Mercados Financeiro e de Capitais S.A.

On January 24, 2022, the Bank communicated to stockholders and the market in general that it had signed, jointly with Santander Corretora de Seguros, Investimentos e Serviços S.A. and CBOE III, LLC, binding contracts for the acquisition of minority interest in CSD Central de Serviços de Registro e Depósito aos Mercados Financeiro e de Capitais S.A. ("CSD BR").

On May 26, 2022, the Bank confirmed, in view of the satisfaction of the applicable conditions precedent, the formalization of the operation related to the subscription of minority interest in CSD Central de Serviços de Registro e Depósito aos Mercados Financeiro e de Capitais S.A.

Acquisition of Elite Corretora de Câmbio e Valores Mobiliários Ltda.

On February 1, 2022, the Bank communicated to stockholders and the market in general the signing of definitive documents related to the acquisition of 100% (one hundred percent) of the share capital of Elite Corretora de Câmbio e Valores Mobiliários Ltda.

This acquisition is part of the expansion strategy of BTG Pactual Digital in the investment advisory segment.

On October 21, 2022, the transaction was concluded, after satisfaction of all conditions precedent, including regulatory approvals.

Merger of shares of Mosaico Tecnologia ao Consumidor by Banco PAN S.A. (Controlled by BTG Pactual)

Financial statements under IFRS

Banco BTG Pactual S.A.

At October 03, 2021, Banco PAN S.A. (B3: BPAN4) signed an Agreement of Association and Other Covenants (“Association Agreement”) for the merger of all shares issued by Mosaico Tecnologia ao Consumidor S.A. (“Mosaico”) (B3: MOSI3), a native digital company that brings together the brands Zoom, Buscapé and Bondfaro, and which owns the largest platform of content and sales origination for e-commerce in Brazil (“Operação Mosaico”).

On March 11, 2022, the Board of Directors of Banco PAN confirmed the satisfaction of suspensive conditions regarding the effectiveness of Mosaico Operation, according to the Protocol and Justification of the Merger of Shares entered into between Banco PAN and Mosaico on October 26, 2021 and, therefore, stated that the resolutions of the Extraordinary General Meeting of Banco PAN held on December 1, 2021, including the merger of shares, became valid and effective, for all legal purposes and effects.

The contract of an independent specialized advisory firm for preparation of the purchase price allocation report (“PPA”) is in progress.

Acquisition of Banco BESA S.A.

On March 30, 2022, BTG Pactual agreed to acquire the share control of Banco BESA S.A. (“BESA”), as well as its subsidiaries. As communicated to the market on October 7, 2022, the transaction was concluded after regulatory approvals. The transaction complements the strategy of BTG Pactual, focused on the acquisition and recovery of defaulted loan portfolios and purchase of alternative financial assets.

The contract of an independent specialized advisory firm for preparation of the purchase price allocation report (“PPA”) is in progress.

Approval of share repurchase program

On January 11, 2022, the Bank communicated to stockholders and the market in general that the Bank’s Board of Directors, at a meeting held on January 10, 2022, approved the share repurchase program, under the following conditions (“Repurchase Program”):

- Repurchase with the aim of providing better conditions for the efficient use of available resources
- in cash, in order to maximize the allocation of the Bank’s capital;
- Acquisition of up to R\$ 1,000,000,000.00, observing in every case the limits set forth in CVM Instruction 567;
- Non-existence, at BTG Pactual, of BPAC11 units or treasury shares;
- Maintenance, in treasury, of BPAC11 units acquired under the Program;
- Definition of a period of up to 18 months for the acquisitions, being the Executive Board responsible for deciding the best time to make the acquisitions; and
- Intermediation of BTG Pactual CTVM S.A. and operations conducted in accordance with the current regulation.

The Bank will keep regulators and the market in general informed about the Repurchase Program.

Financial statements under IFRS

Banco BTG Pactual S.A.

3. Presentation of financial statements

a. Basis of preparation

the financial statements under IFRS of the Bank were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

b. Judgment and significant accounting estimates

In the process of preparing the financial statements under IFRS of the Bank, the Management has exercised judgment and used estimates to calculate certain amounts recognized in the financial statements under IFRS. The most relevant application of exercise of judgment and use of estimates occur at:

Going concern

Management evaluated the ability of the Bank and its subsidiaries for going concern normally and is convinced that they have sufficient funds to continue operating. Additionally, Management is not aware of any material uncertainty that may generate significant doubts about its ability to continue operating. Therefore, the financial statements under IFRS were prepared based on this principle.

Expected credit loss

The measurement of expected credit loss reflects the use of significant assumptions, as described below:

- Term: The Bank considers the maximum contractual period over which it will be exposed to the credit risk of the financial instrument. Assets that do not have a specific maturity have an estimated life expectation based on the period of exposure to credit risk. Additionally, all contractual terms are considered when determining expected life, including prepayment and rollover options.
- Forward-looking information: IFRS 9 – Financial Instruments requires a weighted and unbiased estimate of credit loss that embodies forecasts of future economic conditions. BTG Pactual uses macroeconomic information and public information on the market with projections prepared internally to determine the impact of said estimates in determining the expected credit loss.
- Probability-weighted loss scenarios: the Bank uses weighted scenarios to determine the expected credit loss over an adequate observation horizon, through analyses carried out by the credit risk team, also taking into account the characteristics of the papers (maturity, issuer, economic scenario, among others).
- Criteria for significant increase or decrease in credit risk: in each period of the Financial Statements under IFRS, BTG Pactual assesses whether the credit risk on a financial asset has increased significantly using relative and absolute indicators, according to the nature of each product.

BTG Pactual assesses whether the credit risk has increased significantly on individual (case by case) or collective basis. For collective valuation purposes, financial assets are grouped based on shared credit risk characteristics, taking into account the type of instrument, credit risk ratings, date of initial recognition, remaining term, branch, geographic location of the counterparty among several other factors.

Fair value of financial instruments

The fair value of financial instruments is calculated using pricing techniques based on assumptions, which take into account information and market conditions. Main assumptions: historical data and information of similar transactions. For more complex or illiquid instruments, significant judgment is required to

Financial statements under IFRS

Banco BTG Pactual S.A.

determine the model used by selecting specific data and in some cases, valuation adjustments are applied to the model value or quoted price for financial instruments that are not actively traded.

The methodologies used to measure the fair values of certain financial instruments are described in Note 4d.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is likely that the taxable profit will be available in the period in which the losses may be used. A criterion is required to establish the amount of future deferred taxable asset that should be recognized, based on the probable flow of future taxable profit and together with tax planning strategies, if any.

c. IFRS pronouncements reviewed

❖ Accounting pronouncements recently issued and applicable to future periods.

The following pronouncements will become effective for periods after the date of these financial statements under IFRS and were not adopted in advance:

- IFRS 17 - Insurance Contracts: The pronouncement replaces IFRS 4 – Insurance Contracts and presents three evaluation approaches:
 - Standard Model: applicable to all insurance contracts without direct participation;
 - Premium Allocation Approach (PAA): applicable to contracts lasting up to 12 months or when it produces results similar to those that would be obtained if the standard model were used. It is more simplified than the standard model;
 - Variable Fee Approach: applicable to insurance contracts with direct participation. Insurance contracts that are substantially service contracts related to investments under which an entity promises a return on investment based on the underlying items.

Insurance contracts must be recognized through the analysis of the following items:

- Expected future cash flows: estimate of all components of the contractual cash flow;
 - Adjustment to the Risk: estimate of the offset required due to the deviations that may occur between cash flows;
 - Contractual margin: difference between any amounts received before the beginning of the contractual coverage and the present value of estimated cash flows at the beginning of the contract;
 - Discount: projected cash flows shall be discounted to present value, so as to reflect the time value of money, at rates that reflect the characteristics of the respective flows. This standard is effective for years started as of January 1, 2023. The possible impacts are being evaluated and will be completed by the date on which the standard enters into force.
- Amendment to IFRS 17 – The standard comes into effect on January 1, 2023 and the transition date corresponds to the previous year, January 1, 2022, with the transition impacts recorded directly in Equity, in Retained Earnings. In our analyses and simulations, we observed that the transition to IFRS 17 and the redesignation of financial assets will have irrelevant impacts on the Bank's Equity. Additionally, the adoption of the standard will not result in regulatory and prudential impacts, since such limits are determined based on the Prudential Consolidated, in accordance with the accounting standards and principles applicable to institutions authorized to operate by BACEN.

Financial statements under IFRS

Banco BTG Pactual S.A.

- Amendments to IAS 1 – Presentation of Financial Statements – Requires that only information on material accounting policies be disclosed, eliminating disclosures of information that duplicate or summarize the requirements of IFRS standards. These amendments are effective for years beginning on January 1, 2023 and have no financial impact. The analyzes regarding the changes in disclosure will be completed until the date of effectiveness of the standard.
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Includes the definition of accounting estimates: monetary values subject to uncertainties in their measurement. Examples of accounting estimates are the expected credit loss and the fair value of an asset or liability. This amendment is effective for years started on January 2023 and the analyses regarding the changes in disclosure will be completed until the date of effectiveness of the standard. However, no relevant effects are expected in relation to the application of this standard.
- Amendments to IAS 12 – Income Taxes – Clarifies that the exemption for accounting of deferred taxes arising from temporary differences generated in the initial recognition of assets or liabilities do not apply to lease operations. These amendments are effective for the years started on January 1, 2023. The possible impacts are being evaluated and will be completed by the date on which the standard enters into force. However, no relevant effects are expected in relation to the application of this standard.
- Amendment to IFRS 3 - “Business combination”: issued in May 2020 to replace the references from the old version of the conceptual framework to the newer one. The effectiveness period to apply the amendment to IFRS 3 is as of January 1, 2022 and did not impact on the Bank's financial statements.

d. Financial statements

The Bank’s statements under IFRS comprise the financial statements of the Bank, its branches abroad, direct and indirect subsidiaries, in the country and abroad, as well as investment funds and special purpose companies (SPE). Control exists where the Bank has the power to manage the entity’s financial and operating policies, generally attributed to holding a majority of voting rights, and is exposed to varying returns from its involvement with its investees and has the ability to use its power to affect that return.

The accounting practices adopted in the recording of operations and in the evaluation of the rights and obligations of the Bank, direct and indirect subsidiaries and investment funds with relevant investment in consolidated companies, included in the consolidation, were consistently applied, and the investments, assets, liabilities and results existing and/or determined between the consolidated entities were eliminated. The table below lists the Bank’s main direct and indirect subsidiaries, including investment funds, consolidated in the financial statements under IFRS.

	Country	Total equity participation - %	
		12/31/2022	12/31/2021
Subsidiaries			
BTG Pactual Cayman Branch	Cayman	100.00%	100.00%
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99%	99.99%
Banco Sistema S.A.	Brazil	99.97%	99.91%
Banco Pan S.A.	Brazil	73.95%	71.69%
Banco BESA S.A.	Brazil	96.50%	-
Indirect subsidiaries			
BTG Pactual Resseguradora S.A.	Brazil	100.00%	100.00%

Financial statements under IFRS

Banco BTG Pactual S.A.

BTG Pactual Vida e Previdência S.A.	Brazil	100.00%	100.00%
Banco BTG Pactual Chile S.A.	Chile	100.00%	100.00%
BTG Pactual Chile Capital S.A. – Stockbrokers	Chile	100.00%	100.00%
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.96%	99.97%
BTG Pactual Oil & Gas S.A.R.L.	Luxembourg	100.00%	100.00%
ECTP Brasil S.A. (i)	Brazil	100.00%	-
BTG Pactual COMM, (CH) S.A. (i)	Switzerland	100.00%	-
Investment funds			
BTG Pactual Absolute Return Master Fund	Cayman	100.00%	100.00%
BTG Pactual International Portfolio Fund SPC – Class C	Cayman	100.00%	100.00%
Fundo de Investimento Multimercado CP LS Investimento no Exterior	Brazil	100.00%	100.00%
FIDC NP Alternative Assets I	Brazil	100.00%	100.00%
Warehouse FIP	Brazil	100.00%	100.00%
BTG Pactual AM US, LLC	US	100.00%	100.00%
Clave Macro P Fc FIM (ii)	Brazil	90.52%	45.04%
Clave Tr Master FIM	Brazil	70.65%	71.38%

(i) Company acquired during 2022.

(ii) Unconsolidated entity in 2021.

e. Functional currency

The items included in the financial statements of the Bank and subsidiaries are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). Financial statements under IFRS are presented in reais (R\$), which is the functional currency of the controlling stockholder, the Bank. The rate used for translating assets and liabilities into foreign currency is that of the closing date, while the profit or loss accounts are translated into monthly average rates.

The financial currencies of subsidiaries, whose functional currency is different from that adopted by the Bank, are translated into the Bank's functional currency using the criteria of IAS 21.

The effects of currency translation of subsidiaries headquartered abroad, whose functional currency is different from that adopted by the parent company, are recorded in the equity and presented in the statement of comprehensive income, as well as the result of the hedge of these investments, when applicable.

f. Restatement of the financial statements

1. During the preparation of the 2020 financial statements, retrospective adjustments were made to the opening balance of that year (January 1, 2020), the main one related to the recognition of the disposal of the investment in BTGP BSI Ltd (for investment in EFG International) on September 30, 2019, corresponding to 24.12% interest in EFG International, and write-off of the Equity Linked Notes payable, in the amount of approximately R\$ 2.5 billion at the time, resulting in an increase in the equity of approximately, R\$ 1.5 billion.

The Equity Linked Note referred to the transfer by the Bank to Holding S.A. (BTG Pactual Holding S.A.) of the economic rights related to EFG, including earnings (such as dividends). Formal regulatory approvals for the effective transfer of the investment were obtained from 2019 through April 20, 2021.

2. During the year ended December 31, 2022, the Company made adjustments to the financial statements under IFRS, as shown below for the following captions:

	<u>2021 (Presented)</u>	<u>Adjustments (i)</u>	<u>2021 (Restated)</u>
Assets			
Deferred tax assets	9,196,476	(1,203,359)	7,993,117
Intangible assets	9,832,908	570,842	10,403,750
Total assets	<u>352,924,046</u>	<u>(632,517)</u>	<u>352,291,529</u>
Liabilities	<u>308,281,799</u>	<u>-</u>	<u>308,281,799</u>
Equity	<u>44,642,247</u>	<u>(632,517)</u>	<u>44,009,730</u>

Financial statements under IFRS

Banco BTG Pactual S.A.

	<u>2021 (Presented)</u>	<u>Adjustments (i)</u>	<u>2021 (Restated)</u>
Operating profit before taxation	11,833,742	(369,478)	11,464,264
Income tax and social contribution	(4,769,272)	(5,346)	(4,774,618)
Provision for income tax and social contribution	(661,781)	(5,346)	(667,127)
Deferred tax assets	(4,107,491)	-	(4,107,491)
Profit for the year	7,064,470	(374,824)	6,689,646
<i>Profit attributable to controlling stockholders</i>	7,168,436	(268,720)	6,899,716
<i>Loss attributable to non-controlling stockholders</i>	(103,966)	(106,104)	(210,070)

(i) They refer to the final determination of the price allocation of assets resulting from the acquisition of Banco Pan (see note 2. Corporate reorganizations and acquisitions"). In June 2022, the determination of the purchase price allocation (PPA) of assets was concluded, within the period allowed by IFRS 3, thus, the information in the PPA applied to fiscal year 2021 would affect the following items: "Deferred Tax Assets", "Intangible Assets" and Equity. The nature of the changes is due to the use of assumptions made for the recognition of intangible assets identified in the result, as well as the respective deferred taxation applicable to this event.

4. Significant accounting policies

The most relevant accounting policies adopted by the Bank and its direct and indirect subsidiaries are as follows:

a. Cash and cash equivalents

For the purposes of statement of cash flow, cash, bank deposits, highly liquid short-term investments that are promptly convertible into a known sum of cash, which are subject to an insignificant risk of change in value, with maturity which is usually three months as of the acquisition date.

b. Financial instruments

"Financial instrument" is any contract that gives rise to a financial asset in an entity and concomitantly a financial liability or ownership interest in another entity.

"Equity instrument" is any agreement that represents a residual participation in the assets of the issuing entity after the deduction of all its liabilities.

"Derivative" is the financial instrument whose value changes in response to changes in an observable market variable (such as interest rate, exchange rate, price of financial instruments, market index or credit rating), in which the initial investment is very low compared to other financial instruments with similar response to changes in market factors, and it is usually settled at a future date.

(i) Recognition date

All financial assets and liabilities are originally recognized on negotiation date, that is, the date in which the Consolidated becomes a stakeholder of the instrument contractual relationship. Financial assets purchases or sales requiring the asset to be delivered within a determined period established by the bylaws or market standards are included.

(ii) Initial recognition of financial instruments

The classification of financial instruments on initial recognition depends on the purpose for which they were acquired and on its characteristics. The classification of financial instruments pursuant to IFRS 9 is usually based on the business model in which a financial asset is managed, in addition to its contractual cash flow.

(iii) Financial assets measured at fair value through profit or loss

Correspond to assets that satisfy one of the following conditions:

Financial statements under IFRS

Banco BTG Pactual S.A.

- a) Financial assets that do not satisfy (after performing the “SPPI test – only for principal and interest”) the conditions of financial assets at amortized cost or fair value through other comprehensive income; or
- b) irrevocable election, of assets that meet the measurement requirements at amortized cost or at fair value through other comprehensive income, at initial recognition, for the purpose of eliminating or significantly reducing a measurement or recognition inconsistency.

(iv) Financial assets at fair value through other comprehensive income

Financial asset must be measured at fair value through other comprehensive income if both following conditions are addressed: (i) the financial asset is maintained within a business model whose purpose is achieved by means of payment of contractual cash flows and the sale of financial assets; and (ii) the contractual terms of the financial asset lead to cash flows on specific dates, which are composed only of payments of principal and interest.

Unrealized gains or losses are recognized in other comprehensive income. Upon maturity of the debt instrument, unrealized gains or losses previously recognized in other comprehensive income are reclassified to profit or loss as “Fair value gain/(loss) through other comprehensive income”.

(v) Financial assets at amortized cost

A financial asset must be measured at amortized cost if both characteristics are presented:

- If the financial asset is held within a business model whose purpose is to maintain financial assets to pay contractual cash flows; and
- The contractual terms of the financial asset lead to cash flows on specific dates, which are composed only of payments of principal and interest. After initial measurement, financial assets will be measured at amortized cost using the effective interest rate method. Even if the Company does not intend to sell the asset classified in this category, as it is expected to hold it until maturity to collect contractual cash flows, it is not required to hold these instruments until maturity and a sale event may occur.

(vi) Financial liabilities

The financial liabilities are classified into one of the following categories:

- Financial liabilities measured at fair value through profit or loss: this category includes financial liabilities issued to generate short-term profit resulting from price changes, financial derivatives not considered as hedge accounting and financial liabilities resulting from direct sale of financial assets purchased through repurchase agreements or borrowed (“short positions”).
- Other financial liabilities at fair value through profit or loss: financial liabilities are included in this category when there is more relevant information obtained, either because it eliminates or significantly reduces recognition or measurement inconsistencies (“accounting differences”) arising from the measurement of assets or liabilities or the recognition of its gains or losses on a different basis because there is a managed group of financial assets and liabilities, which is managed and whose performance is evaluated based on fair value, in accordance with a documented strategy of risk or investment management and the information on the Bank is provided to the Bank’s key management professionals on the same basis.

Financial statements under IFRS

Banco BTG Pactual S.A.

- Financial liability at amortized cost: financial liabilities, regardless of their form and maturity, not included in any of the prior categories and resulting from financing raising carried out by financial institutions.

Fundraising instruments are initially recognized at fair value, which is basically considered to be the transaction price. They are subsequently measured at amortized cost (accrual) and the related expenses are recognized as a financial cost.

(vii) Derivative financial instruments

Derivative financial instruments are recorded at fair value and held as assets when the fair value is positive; and as liabilities when the fair value is negative. Changes in the fair value of derivatives are recognized in the statement of income under “Net income from financial instruments”.

Derivative financial instruments used to mitigate the risks from exposures to changes in market value of financial assets and liabilities and that are highly correlated to alterations in their market value in relation to the market value of the item that is being protected, both at the beginning and throughout the life of the contract and considered effective in the reduction of risk associated with the exposure to be protected, are considered as hedge structures in compliance with the IFRS 9 and are classified according to their nature:

- Market risk hedge: the financial instruments classified into this category, as well as its related financial assets and liabilities, hedged item, are measured at fair value and have their gains and losses, realized or unrealized, recorded in the profit or loss; and
- Cash flow hedge: the instruments classified into this category are measured at fair value, and the effective portion of gains or losses recorded, net of tax effects, in a separate account in the equity. The non-effective portion of the respective hedge is directly recognized in the profit or loss.
- Hedge of net investment in operations abroad - It is accounted for similarly to cash flow hedge, that is, the portion of gain or loss on the hedging instrument that is determined as an effective hedge is recognized in the equity, and reclassified to profit (loss) for the year in case of disposal of the operation abroad. The non-effective portion is recognized in profit or loss for the year.

c. Write-off of financial assets and liabilities

(i) Financial assets

A financial asset (or the financial asset portion that may be invested or a group of similar assets) is written off when the rights to receive cash flows from the asset have expired or there is a transfer of the right to receive cash flow from the asset or an assumption of an obligation to pay the cash flow received, in full and without material delay, to a third party due to a transfer agreement, and: (i) There is a substantial transfer of all risks and rewards of the asset; or (ii) There is no substantial transfer or substantial retention of all risks and rewards of the asset, but there is a transfer of control over the asset.

(ii) Financial liabilities

A financial liability is charged off when obligation in relation to the liability is eliminated, canceled or expired. When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange

Financial statements under IFRS

Banco BTG Pactual S.A.

or modification is treated as a write-off of the original liability and recognition of a new liability, and the difference in book value is recognized in the profit or loss for the year.

Impairment of financial assets

Pursuant to IFRS 9, upon initial recognition of a debt instrument, the Bank should prepare projections of possible expected losses over a period of 12 months and recognize a provision, regardless of whether or not a loss is incurred. If the Company anticipates a significant deterioration in the credit quality of its counterparties, it should recognize a provision in the amount of all expected losses over the life of the financial instrument, and not only for the subsequent 12 months.

Measurement

Expected credit losses are estimates weighted by their probability of occurrence and are measured as follows:

- Financial assets that were not reduced to their recoverable value on the reporting date: according to the present value of all cash disbursements (e.g. the difference between the cash flow due to the entity under the contract and the cash flow the company expects to receive);
- Financial assets were reduced to their recoverable value on the reporting date: according to the difference between gross adjusted cost and the present value of future cash flows;
- Loan commitments not contributed: according to the present value of the difference between the contractual cash flow that is due to the Company if the commitment is received and the cash flow that the Company expects to receive; and
- Financial guarantee contracts: according to the estimated payments for reimbursement of holders of securities/amounts that the Company expects to recover. If a credit event occurs, although considering the expected losses during the entire life of the financial instrument, the Company should also recognize income arising from payments of interest on the carrying amount, which means that the provision should be accounted for in the recognition of payment of interest.

The main evidences of deterioration of the credit quality of a counterparty are:

- A significant decrease in the fair value of a financial instrument during an extended period;
- Non-compliance with contractual terms due to late payment of interest or principal;
- Deterioration in payment capacity and operating performance;
- Non-compliance with covenants;
- A significant change in the performance of the market in which the counterparty operates; and
- Reduced liquidity of the financial asset due to borrower's financial issues.

In the event of losses due to impairment of debt instruments designated at fair value through other comprehensive income, they are reclassified from other comprehensive income to the result, presented in the statements of income under IFRS as "accumulated impairment losses". If, in the fiscal years subsequent to the recognition of the loss, the fair value of the asset is higher than the carrying amount, the previously incurred loss will be reversed to profit or loss.

Financial statements under IFRS

Banco BTG Pactual S.A.

The Bank writes off the gross carrying amount of its financial instruments when there is no probable expectation of fully or partially recovering the contractual cash flows of financial assets.

BTG applies a three-stage approach to measure the expected credit loss, in which the financial assets migrate from one stage to another according to the changes in credit risk.

- Stage 1 - Expected credit losses for 12 months: represents the possible default events within 12 months. Applicable to financial assets derived from or purchased without credit recovery problems;
- Stage 2 - Expected credit loss throughout life of financial instrument: considers all possible default events. Applicable to financial assets derived or purchased without credit recovery issues whose credit risk significantly increased; and
- Stage 3 - Expected credit loss for assets with impairment issues: considers all possible default events. Applicable to financial assets derived from or purchased with credit recovery problems. The measurement of assets classified in this stage differs from stage 2 because interest income is recognized by applying the effective interest rate to the amortized cost (net of allowance) and not to the gross book value.

An asset will migrate from stage to stage as its credit risk increases or decreases. Thus, a financial asset that has migrated to stages 2 and 3 may return to stage 1, unless it was originated or purchased with credit recovery issues.

Macroeconomic Scenarios

Forward-looking information is based on macroeconomic scenarios that are reassessed annually or whenever market conditions so require.

d. Subsequent classification and measurement of financial assets

The classification and subsequent measurement of financial assets depend on the business model and on the characteristics of its cash flows (Principal and Interest Payment Only – SPPI Test).

Business model:

Consists of management of financial assets to generate cash flows and not only the Management's intention regarding an individual instrument. The financial assets can be managed to:

- i) collect contractual cash flows;
- ii) collect contractual cash flows and sell; or
- iii) any other type of management.

The business model process includes assessing the risks affecting the performance of the business model and how performance is reviewed by Management.

SPPI Test

Financial statements under IFRS

Banco BTG Pactual S.A.

Consists of the evaluation of cash flows generated by the financial asset to identify solely for the payment of principal and interest (SPPI). Cash flows must include only consideration for the time value of money and the credit risk. Exceptions to these concepts will be measured at fair value.

Hybrid contracts are measured as a whole, including all built-in features, and are jointly measured at fair value.

e. Determination of fair value

Financial instruments are measured according to the hierarchy of value measurement described below:

- Level 1: Price quotes observed in active markets for the same financial instrument.
- Level 2: Price quotes observable in active markets for financial instruments with similar characteristics or based upon pricing models for which significant parameters are based on observable factors in active markets.
- Level 3: Pricing models for which current market transactions or observable data is not available and which require a high level of judgment and estimates. Instruments in this category were priced using valuation techniques for which at least one input, which could have a significant effect on the price, is not based on observation of market data. When inputs can be observed from market data without excessive costs and efforts, this input is used. Otherwise, the Bank determines an appropriate level for the input entry. Financial instruments basically include interest in private equity funds, unlisted shares arising from our Merchant Banking activities, some debt securities (debentures) of closely-held companies and energy derivatives, whose pricing depends on unobservable inputs. No gain or loss is recognized on initial recognition of a financial instrument priced using techniques that consider unobservable inputs.

Assumptions of Level 3 evaluation		
Assets	Pricing technique	Main assumptions
Private equity funds (investments not quoted)	Price of recent investments; models based on discounted cash flow or gains, multiples of market transactions (M&A).	Revenue and market growth, expected leverage and profitability, discount rates, macroeconomic assumptions such as inflation and exchange rates, risks and premiums, including market, size and country risk premium.
Debt instruments (debentures)	Standard models and price comparison	Probability of default, material losses and yield declines, prepayment and recovery rate.
Energy derivatives	Data system based models (Decomp and Newwave)	GDP, level of water reserves and rainfall forecast.

In certain cases, the data used to determine fair value may be at different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative category in which the relevant data for determination of fair value were classified. This assessment requires judgment and considers specific factors of the respective financial instruments. Changes in the availability of information may result in reclassifications of certain financial instruments between different levels of the fair value measurement hierarchy.

The Bank assesses the levels in each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the period.

The fair values of financial instruments are determined as follows:

Financial statements under IFRS

Banco BTG Pactual S.A.

- Swaps: its cash flows are discounted to present values based on profitability curves that reflect the appropriate risk factors. These profitability curves can be traced mainly based on prices observed in negotiations at B3 S.A. for Brazilian government bonds traded on the secondary market or for derivatives and securities traded overseas. These profitability curves can be used to obtain the fair values of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.).
- Futures and terms: fair value determined based on stock exchange quotations or using criteria identical to those described above for swaps.
- Options: the fair values of these instruments are determined based on mathematical models (such as Black & Scholes) that are fed with data on implicit volatility, profitability curve for interest rates and fair values of the underlying assets. All of this data is obtained from different sources (usually brokers and brokerage firms' prices, Bloomberg, Reuters).
- Credit derivatives: the fair values of these instruments are determined based on well-established mathematical market models that are fed with issuer's credit spread data and profitability curve for interest rates. This data is obtained from different sources (usually market prices, Bloomberg, Reuters).
- Securities and unsecured sale: the fair values of public securities are determined based on the prices disclosed by ANBIMA. The fair values of corporate debt securities are calculated based on secondary market prices, on the price of similar assets and on the market visibility by the Bank's commercial areas. Shares are calculated based on the prices published by B3 S.A. Fund quotas are measured considering the prices of quotas published by Management.

Financial assets valued at fair value in profit or loss: we estimate the fair values of financial instruments by applying the discount of cash flows at present value based on profitability curves that reflect the appropriate risk factors.

f. Financial instruments - Net presentation

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously, in accordance with the CMN Resolution 3263/05.

g. Recognition of revenues and expenses

Revenue is recognized to the extent that it is probable that the economic benefit will be transferred to the Bank and that revenue can be reliably measured. The following specific recognition criteria should be met before revenue is recognized:

(i) Interest income and expenses:

For all financial instruments measured at amortized cost, financial assets that collect interest classified as financial assets at fair value through other comprehensive income, interest income or expenses are recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts or payments for the expected useful life of the financial instrument, or a shorter period if appropriate, to the net book value of the asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any incremental fees or costs that are directly attributable to the instrument and are integral parts of the effective rate, but not future credit losses. The book value

Financial statements under IFRS

Banco BTG Pactual S.A.

of the financial asset or liability is adjusted if the Bank reviews its estimates for payment and receipt. The adjusted book value is calculated based on the original interest rate and the adjustment to book value is recorded under "Other operating income (expenses)". However, for a reclassified financial asset for which the Bank subsequently increases its estimate of future cash receipts, the effect of the increase is recognized as an adjustment to the effective rate from the date of the estimate change.

Interest income (expense) is recognized in accordance with the elapsed time using the effective interest rate method.

(ii) Fee and commission income

The Bank and its subsidiaries earns fee and commission income on various types of services it provides for its customers. Income from fees can be segregated into the following categories:

- Income from fees and commissions for services rendered in a given period:

Fees and commissions earned from services during the period are accrued in the course of the same period. These fees include income from commission, brokerage and asset management, custody and other management, advisory fees and management and performance on investment funds. In addition, there is also income from Banco Pan's retail portfolio, related to registration, drafts and card annual fees.

Income from collaterals provided and loan commitment fees where credit is likely to be used - and other credit-related fees - are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate of the loan. When it is not likely that a credit from a loan commitment will not be used, the income from loan commitment fees is recognized over the commitment term using the straight-line method.

- Income from fees for transaction services provided:

Fees arising from negotiations or interest in negotiations with third parties, such as an agreement for acquisition of shares or other securities or the acquisition or sale of a business, are recognized at the end of the transaction that originated the fee. Fees or components of fees that are probably related to specific performance are recognized after meeting specific criteria for recognition.

(iii) Net revenues from financial instruments

Results arising from trading activity include all gains and losses from changes in fair value and the income or expense of interest and dividends of financial assets and liabilities for trading.

h. Investment property

Investment properties held by the Bank's subsidiaries, which are mainly focused on the real estate sector, are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at fair value, reflecting market conditions at each balance sheet date. Adjustments to fair value are calculated considering the fair value of the property less costs attributed to it, and recognized in income.

The fair value of investment properties is calculated at least annually, or when deemed relevant by Management, which may use qualified independent appraisers.

Financial statements under IFRS

Banco BTG Pactual S.A.

Investment properties are written-off when sold or when they cease to be used permanently and no further economic benefits are expected from their sale.

i. Investments in affiliates and jointly-controlled subsidiaries

Investments in affiliates and companies with shared control include interest in companies over which the Bank and its subsidiaries have significant influence in the operational and financial policies, and also joint ventures, being initially recognized at acquisition cost and subsequently measured under the equity method. The investments in affiliates and jointly-controlled subsidiaries include goodwill identified in acquisition, net of any accumulated impairment loss.

The interest of the Bank and its subsidiaries in the profit or loss of its unconsolidated companies is recognized under “Equity in the earnings of affiliates and jointly-controlled subsidiaries”, and changes in the corresponding reserves of the Equity of its affiliates and jointly-controlled subsidiaries is recognized in other comprehensive income.

j. Property for use

Property and equipment are carried at cost, excluding maintenance costs, less accumulated depreciation and impairment. Changes in the estimated useful life are accounted for as changes in the amortization method or period, and properly treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write off the cost of property and equipment at its residual value throughout its estimated useful life.

Property and equipment is written down upon disposal or when future economic benefits are no longer expected from their use. Any gain or loss generated on the disposal of the asset (calculated as the difference between the net funds from the disposal and the book value of the asset) is recognized in “other operating income” in the statement of income for the year in which the asset was disposed of.

k. Business combination and goodwill

Business combinations are accounted for under the acquisition accounting method. The method involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. In any business combination carried out in stages, the acquirer shall measure its former interest in the acquiree at fair value on the acquisition date and shall recognize in profit or loss for the period the resulting gain or loss, if any, or in other comprehensive income, as appropriate. Shares issued and transferred as part of payment are measured at fair value on the issue date. Any excess of acquisition cost over the fair value of the identifiable net assets which were acquired is recognized as a goodwill. If the acquisition cost is lower than the fair value of identifiable net assets acquired, the acquisition discount is recognized directly in the statement of income in the year of acquisition.

Goodwill acquired in a business combination is initially accounted for at cost, representing the excess cost of the business combination over the net fair value of identifiable assets, liabilities and contingent liabilities acquired.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment annually, or even more frequently if events or changes in circumstances indicate that the book value may be below the recoverable value.

Financial statements under IFRS

Banco BTG Pactual S.A.

I. Intangible assets

Intangible assets are carried at cost and include assets acquired and value of computer software. An intangible asset is only recognized when its cost can be reliably measured and it is probable that the expected future economic benefits attributed to it will be realized.

Amortization expenses for intangible assets with defined useful lives (from 5 to 10 years) are recognized in the statement of income under IFRS under administrative expenses, according to their useful life. Intangible assets with an indefinite useful life are not amortized, but tested annually to identify possible impairment losses, which are recognized by the amount that the book value of the asset exceeds its recoverable value, being accounted for in the statement of income under IFRS.

m. Impairment of non-financial assets

Investments in affiliate and jointly-controlled subsidiaries and assets with an indefinite useful life, such as goodwill, are not subject to amortization and are tested every year to confirm their impairment loss. Assets that are subject to amortization are reviewed for verification of impairment losses, annually or whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized for the amount by which the book value of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use. For impairment loss valuation purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGU).

n. Financial guarantees provided

In the ordinary course of business, the Bank and its subsidiaries grant financial guarantees, through letters of credit, collaterals and sureties. Financial guarantees are initially recognized in the financial statements under IFRS (in 'other liabilities') at the premium amount and are amortized over the term of the contract. Subsequent to initial recognition, the liability is measured at the higher between the amount initially recognized less, when appropriate, the amount of accumulated amortization recognized in profit or loss, and the best estimate of the costs necessary to settle any financial obligation generated by this guarantee.

o. Contingent assets and liabilities

A provision is recognized when the Bank has a current (legal or constructive) obligation as a result of a past event and it is probable that a disbursement of funds that incorporates economic benefits will be required to settle the obligation, and a reliable estimate can be made in the amount of the obligation. The expense related to any provision is shown in profit (loss) for the year, net of any reimbursement.

Recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations (tax and social security) are made in accordance with the criteria described below:

- Contingent assets - are not recognized in financial statements except when there is evidence ensuring their realization for which no further appeal is possible for which no further appeal is possible.
- Contingent liabilities - are recognized in the financial statements under IFRS when, based on the opinion of the legal counsel and of Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are measurable with sufficient assurance. Contingent liabilities classified as possible losses by legal counsel are only disclosed in the Notes to the Financial Statements, whereas those classified as remote losses require neither provision nor disclosure.

Financial statements under IFRS

Banco BTG Pactual S.A.

p. Taxes

Provisions for income tax and social security contribution, when due, are recorded based on the accounting profit and are adjusted by the additions and exclusions stipulated in tax regulations. Deferred income tax and social security contribution are calculated over the amount of temporary differences whenever the realization of these amounts is considered probable. For the income tax (IRPJ), as of January 1, 2022, the tax rate is 15%, plus additional 10% on the annual taxable profit exceeding BRL 240, and 20% for the social security contribution on the net profit (CSLL), increased to 21% starting on August 1, 2022 until December 31, 2022 to banking institutions. For the other financial institutions, the nominal CSLL rate is 15% increased to 16% in the same period.

The deferred component, represented by tax credits and deferred tax liabilities, is obtained from the differences between the accounting and tax calculation bases of assets and liabilities. Tax credits are only recognized when it is probable that future taxable profit will be available for offsetting.

q. Dividends and interest on capital (JCP) of shares

Dividends and interest on capital of shares are recognized as a liability and deducted from the equity when approved by the Bank's stockholders. Dividends on interim dates are deducted from equity when stated and are not subject to Bank's future decision.

r. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to the common and preferred stockholders by the weighted average of the number of outstanding common and preferred shares on each year. The weighted average number of common and preferred shares is calculated based on the periods the shares were outstanding.

s. Segment reporting

IFRS 8 requires that operating segments be disclosed consistently with the information provided to the operating decision maker, that is, the individual or group of individuals that allocates resources to segments and measures their performance. Management considers that the Bank has only one segment that is related to Investment Banking activities of and, therefore, no information by segment is disclosed.

t. Lease operations

The Bank leases mainly real estate (underlying assets) to carry out its operating activities. Initial recognition, which occurs upon signature of the contract in the "Financial liabilities at amortized cost" group corresponds to total future payments at present value as a contra-entry to right-of-use assets, depreciated under the straight-line method over the lease term and tested annually to identify any impairment losses.

The finance cost corresponding to interest on lease liabilities is recognized under "Net profit (loss) from financial instruments" in the Statement of Income.

5. Risk management

At BTG Pactual, risk is managed with the involvement of all levels of management and control of the Institution. The Bank's Board of Directors, pursuant to CMN Resolution 4557/2017, is responsible for setting the levels of risk appetite, approving and reviewing the policies, strategies and risk limits, capital management strategies and policies, the stress testing program, the management of the going concern policy, among other activities. The Executive Board is in charge of formulating policies, defining risk guidelines, and supervising risk

Financial statements under IFRS

Banco BTG Pactual S.A.

management and control processes. Next, there is a set of risk committees and of areas, in charge of risk management and control activities.

The main committees/areas involved in risk management activities are the following: (i) Meeting of the Executive Board, which formulates policies, proposes global limits and is the highest court responsible for managing our risks; (ii) Capital and Risk Committee, made up of a majority of independent members who assess the results of risk management and of the strategies; (iii) New Products Committee, which assesses the feasibility and supervises the implementation of proposed new businesses and products; (iv) Credit Risk Area, which is responsible for approving new credit transactions in accordance with the guidelines established by Chief Risk Officer ("CRO"); (v) Market Risk area, which is responsible for monitoring market risk, including the use of the risk limits (VaR), and for approving exceptions as set forth in the internal rules; (vi) Operating Risk area, which assesses the key operational risks against the internal policies and the regulatory limits; (vii) The Compliance Committee, which is responsible for establishing Anti-Money Laundering ("AML") rules and for reporting potential problems involving money laundering; (viii) CRO, which is responsible for Monitoring the liquidity risk, including a cash position and management of structure of capital; (ix) Audit Committee which is responsible for the independent assessment of the adequacy of the internal controls, the assessments regarding the maintenance of accounting records, and the quality and integrity of the financial statements; (x) Social and Environmental Risk area, which assesses the social, environmental, and climate risks, in accordance with the principles of relevance and proportionality, and manages and mitigates adverse social, environmental, and climate impacts resulting from our operations and activities; and (xi) ESG Committee, responsible for supervising e managing the implementation of ESG policies and procedures, regarding social, environmental and climatic risks, in order to guarantee that the Bank is compliant with these guidelines.

The Bank monitors and controls risk exposure through a variety of separate but complementary internal credit, financial, operational, compliance, tax, and legal systems. We believe that the involvement of committees and areas (including their subcommittees) with ongoing risk management and control promotes a culture of rigorous and effective risk control throughout the BTG Pactual Group. The Bank's committees are composed of senior members of the business units and of senior members of the control departments, who are segregated and independent of the business areas. Further details on risk management can be found at <https://ri.btgpactual.com/>, in the Corporate Governance / Risk Management section.

a. Operational limits

	<u>2022</u>	<u>2021</u>
Consolidated equity (i)	42,371,767	37,379,747
Level I	39,349,820	33,657,720
Core capital	38,920,976	33,266,891
Supplementary Capital	428,844	390,829
Level II	7,090,539	5,135,239
Reference Equity (PR) (a)	46,440,359	38,792,959
Required Reference Equity (RRE)	24,672,681	19,799,466
Risk-weighted total exposure - (b)	308,408,513	247,493,322
Credit risk	236,523,528	203,488,396
Operating risk	23,527,597	17,193,881
Market risk	48,357,389	26,811,044
Basileia Ratio- (a/b)	15.1%	15.7%
Level I Capital	12.8%	13.6%
Level II Capital	2.3%	2.1%
Noncurrent asset consumption index	56.5%	63.5%
Noncurrent asset threshold (NAT)	23,220,179	19,389,610
Noncurrent asset threshold situation	13,126,907	12,308,874
Margin or deficit value	10,093,272	7,080,736

(i) The limits are calculated based on the Prudential Consolidated, in accordance with accounting standards and principles applicable to institutions authorized to operate by BACEN.

Financial statements under IFRS

Banco BTG Pactual S.A.

CMN Resolutions No. 4.955 and 4.958 of 2021 were observed, which came into force in January 2022, and provide for the criteria of calculating installments and capital requirements, including the minimum requirements for Reference Equity (PR), Tier I Capital, and Core Capital, and the Additional of Core Capital. For the calculation of risk shares, the procedures provided for in Circular Letters Nos. 3644, 3652, 3679, of 2013, and 3696, of 2014, for credit risk, were observed in Circular Letters Nos. 3634, 3635, 3636, 3637, 3638, 3639, 3641 and 3645, all of 2013, and Circular Letter No. 3498, of 2011, for the risk of market, and in Circular Letters Nos. 3640 and 3675, of 2013, for operational risk, all from Bacen.

The Bank elected to basic indicator approach to measure the Operating Risk.

In the years ended December 31, 2022 and 2021, all prudential and operating limits are fully met.

b. Market risk

Value at Risk (VaR) is a measurement of the potential loss in financial instruments due to adverse changes in the market within a determined period scenario, with a specific confidence level. The VaR, together with the stress testing, is used to measure the exposure of our financial instruments to market risk. BTG Pactual applies the historic simulation with full remeasurement of the instruments to calculate VaR, preserving the actual distributions and the correlation between the assets, disregarding Greek approximations and of normal distributions. Our VaR may be measured and indicated according to different periods, historical data and confidence levels. The accuracy of the market risk methodology is tested through daily back testing, which compare adherence between VaR estimates and realized earnings and losses incurred.

The VaR presented below was calculated for a one-day period, 95% confidence level and one year of historical data. A 95% confidence level means that there is a possibility, in twenty occurrences, that the net revenues from trading will be below the estimated VaR. Thus, deficits in trading net revenues on a single trading day greater than the VaR presented are expected to occur, on average, about once a month. Deficits in one single day may exceed the VaR presented at significant amounts; and may occur more frequently or accumulate throughout a longer period, as a number of consecutive trading days. As it depends on historical data, VaR accuracy has limited capacity to forecast unprecedented changes in the market, likewise historical distributions in the market risk factors, which cannot produce accurate future market risk estimates. Different VaR methodologies and statistical distribution may produce a substantially different VaR. In addition, the VaR calculated for a one-day period does not capture the market risk of the positions that cannot be settled or cleared by hedges within a one-day period. As previously mentioned, we use models in the stress testing as a supplement to VaR in our daily activities with risk exposure.

The table below contains the daily average VaR of the Bank for the years ended:

In R\$ million	December 2022	December 2021
VaR daily average	132.7	65.1

c. Credit risk

All counterparties of the Bank and its subsidiaries are subjected to a rigorous credit analysis process, the main focus of which is the assessment of the borrower's ability to pay, based on simulations of cash flow, leverage and debt schedule, asset quality, interest coverage and swivel. Qualitative aspects, such as strategic guidance, business sector, areas of specialization, efficiency, regulatory environment, and market interest, are systematically evaluated and complement the credit analysis process. The counterparties' credit limits are established by Senior Management and are regularly reviewed. The measurement and monitoring of credit

Financial statements under IFRS

Banco BTG Pactual S.A.

risk exposures encompasses all the financial instruments capable of generating counterparty risk, such as private bonds, derivatives, guarantees provided, possible risks of settlement of the transactions, among others.

The maximum exposures of financial assets segregated by geographic region are shown below:

	December 2022				
	Brazil	United States	Europe	Other	Total
Assets					
Cash	215,917	680,946	354,082	1,818,100	3,069,046
Financial instruments	326,702,150	16,498,993	9,261,452	45,683,564	398,146,160
Financial assets at fair value through profit or loss	130,134,087	5,311,441	2,445,144	19,105,853	156,996,525
Financial assets at fair value through other comprehensive income	13,014,331	27,618	-	3,413,701	16,455,650
Financial assets at amortized cost	183,553,732	11,159,934	6,816,308	23,164,009	224,693,984
Open market deposits	56,633,499	2,218,703	6,228,862	284,663	65,365,726
Interbank deposit investments	719,863	6,287,113	-	1,741,570	8,748,546
Deposited with the Central Bank	17,629,141	-	-	-	17,629,141
Credit operations	86,837,544	2,654,007	574,608	21,091,791	111,157,950
Securities	15,418,863	111	12,838	-	15,431,811
Other receivables	6,314,823	-	-	45,986	6,360,809
Total	326,918,067	17,179,939	9,615,534	47,501,664	401,215,205
	December 2021				
	Brazil	United States	Europe	Other	Total
Assets					
Cash	43,584	1,913,431	296,316	966,310	3,219,641
Financial instruments	256,969,972	9,418,027	709,601	32,846,428	299,944,027
Financial assets at fair value through profit or loss	124,840,195	3,996,484	709,601	26,053,688	155,599,968
Financial assets at fair value through other comprehensive income	9,149,518	67,778	-	469,279	9,686,575
Financial assets at amortized cost	122,980,258	5,353,765	-	6,323,460	134,657,484
Open market deposits	19,475,596	423,269	-	414,453	20,313,318
Interbank deposit investments	516,594	2,875,060	-	736,916	4,128,570
Deposited with the Central Bank	12,579,376	-	-	-	12,579,376
Credit operations	86,614,631	2,055,436	-	5,172,091	93,842,159
Securities	3,447,660	-	-	-	3,447,660
Other receivables	346,401	-	-	-	346,401
Total	257,013,556	11,331,458	1,005,917	33,812,738	303,163,668

Financial statements under IFRS

Banco BTG Pactual S.A.

The following table shows the main credit risk exposures based on book values and categorized by counterparty's economic activity:

	December 2022									
	Governments	Financial institutions	Services	Investment funds	Individuals	Industry	Electricity	Rural	Other	Total
Assets										
Cash	293,596	2,775,449	-	-	-	-	-	-	-	3,069,046
Financial instruments	107,341,508	97,686,315	49,741,272	37,916,416	41,077,891	27,908,069	7,433,492	2,269,733	26,771,465	398,146,160
Financial assets at fair value through profit or loss	66,865,087	38,146,752	8,277,620	21,175,299	2,867,370	5,947,795	1,609,231	183,814	11,923,558	156,996,525
Financial assets at fair value through other comprehensive income	252,129	5,568,407	3,825,560	67,346	-	114,142	189,967	-	6,438,098	16,455,650
Financial assets at amortized cost	40,224,292	53,971,156	37,638,092	16,673,771	38,210,520	21,846,132	5,634,294	2,085,919	8,409,808	224,693,984
Open market deposits	25,253,202	23,800,510	222,492	16,080,911	-	-	8,611	-	-	65,365,726
Interbank deposit investments	-	8,748,546	-	-	-	-	-	-	-	8,748,546
Deposited with the Central Bank	-	17,629,141	-	-	-	-	-	-	-	17,629,141
Credit operations	-	3,766,368	36,309,920	592,860	37,300,918	18,802,911	5,625,683	611,380	8,147,909	111,157,950
Securities	8,799,978	26,590	1,105,679	-	909,602	3,043,221	-	1,474,539	72,202	15,431,811
Other receivables	6,171,112	-	-	-	-	-	-	-	189,697	6,360,809
Total	107,635,104	100,461,764	49,741,272	37,916,416	41,077,891	27,908,069	7,433,492	2,269,733	26,771,465	401,215,205
	December 2021									
	Governments	Financial institutions	Services	Investment funds	Individuals	Industry	Electricity	Rural	Other	Total
Assets										
Cash	-	3,219,641	-	-	-	-	-	-	-	3,219,641
Financial instruments	50,881,360	95,809,983	35,558,598	43,316,207	34,914,539	22,034,074	3,817,960	1,520,327	12,090,978	299,944,027
Financial assets at fair value through profit or loss	37,955,583	77,180,263	7,658,328	20,384,916	861,372	4,968,148	1,189,148	822,643	4,579,567	155,599,968
Financial assets at fair value through other comprehensive income	-	1,240,130	3,289,226	1,844,021	-	1,077,070	1,378,609	-	857,520	9,686,575
Financial assets at amortized cost	12,925,777	17,389,591	24,611,044	21,087,270	34,053,167	15,988,857	1,250,204	697,684	6,653,891	134,657,484
Open market deposits	-	219,667	-	19,946,537	-	-	-	-	147,114	20,313,318
Amounts receivable from banks	-	4,128,570	-	-	-	-	-	-	-	4,128,570
Deposited with the Central Bank	12,579,376	-	-	-	-	-	-	-	-	12,579,376
Credit operations	-	9,593,693	24,611,044	1,140,733	34,053,167	15,988,857	1,250,204	697,684	6,506,777	93,842,159
Securities	-	3,447,660	-	-	-	-	-	-	-	3,447,660
Other receivables	346,401	-	-	-	-	-	-	-	-	346,401
Total	50,881,360	99,029,624	35,558,598	43,316,207	34,914,539	22,034,074	3,817,960	1,520,327	12,090,978	303,163,668

Financial statements under IFRS

Banco BTG Pactual S.A.

d. Asset liquidity analysis

In volatile markets or when the trading of a security in the market is impaired, the liquidity of the Bank's portfolio positions may be reduced. In such cases, the Bank may not be able to sell some assets, which would adversely affect its ability to balance its portfolio or respond to redemption requests. Furthermore, such circumstances may force the Bank to sell assets at reduced prices, adversely affecting its performance. If there are no other market players to sell them at the same time, the Bank may not be able to sell these assets or avoid related losses. If the Bank incurs substantial trading losses, the need for liquidity could increase considerably while its access to liquidity could be impaired. Along with a market downturn, the Bank's counterparties could incur losses, weakening their financial condition and increasing the Bank's credit risk to them.

In accordance with its policy, the Bank regularly monitors its liquidity position. The table below summarizes the expected cash flows for the Bank and its subsidiaries as of December 31, 2022 and 2021:

	December 2022		
	Up to 12 months	Over 12 months	Total
Assets			
Cash	3,069,046	-	3,069,046
Financial instruments	316,622,391	81,523,767	398,146,160
Financial assets at fair value through profit or loss	151,610,500	5,386,025	156,996,525
Financial assets at fair value through other comprehensive income	6,262,029	10,193,621	16,455,650
Financial assets at amortized cost	158,749,862	65,944,121	224,693,984
Securities purchased under agreements to resell	65,291,081	74,645	65,365,726
Interbank deposit investments	8,724,472	24,075	8,748,546
Deposited with the Central Bank	17,629,141	-	17,629,141
Credit operations	57,940,120	53,217,830	111,157,950
Securities	4,849,153	10,582,658	15,431,811
Other receivables	4,315,896	2,044,913	6,360,809
Tax assets - Deferred	-	5,787,356	5,787,356
Other assets	16,161,069	11,851,961	28,013,030
Investments in affiliates and jointly-controlled subsidiaries	-	7,917,758	7,917,758
Property and equipment	-	508,618	508,618
Right-of-use	78,804	322,262	401,066
Intangible assets	-	10,488,280	10,488,280
Total Assets	335,931,311	118,400,002	454,331,313

	December 2021		
	Up to 12 months	Over 12 months	Total
Assets			
Cash	3,219,641	-	3,219,641
Financial instruments	182,049,893	117,894,134	299,944,027
Financial assets at fair value through profit or loss	89,547,358	66,052,610	155,599,968
Financial assets at fair value through other comprehensive income	3,604,808	6,081,767	9,686,575
Financial assets at amortized cost	88,897,727	45,759,757	134,657,484
Securities purchased under agreements to resell	20,310,063	3,255	20,313,318
Interbank deposit investments	4,055,885	72,685	4,128,570
Deposited with the Central Bank	12,579,376	-	12,579,376
Credit operations	50,874,948	42,967,211	93,842,159
Securities	731,054	2,716,606	3,447,660
Other receivables	346,401	-	346,401
Tax assets - Deferred	-	7,993,117	7,993,117
Other assets	10,850,051	11,618,737	22,468,788
Investments in affiliates and jointly-controlled subsidiaries	-	7,524,503	7,524,503
Property and equipment	-	348,872	348,872
Right-of-use	79,113	309,718	388,831
Intangible assets	-	10,403,750	10,403,750
Total Assets	196,198,698	156,092,831	352,291,529

Financial statements under IFRS

Banco BTG Pactual S.A.

e. Liquidity risk

The Bank and its subsidiaries manage the liquidity risk by concentrating its portfolio on high credit-quality and high-liquidity assets, using resources obtained through top-tier counterparties at competitive rates. The Bank and its subsidiaries maintain a strong capital structure and a low degree of leverage. Possible mismatches between assets and liabilities are monitored, considering the impact of extreme market conditions, in order to assess their ability to carry out assets or to decrease leverage. The guarantees in the transactions are also monitored on a timely basis.

The table below summarizes the contractual cash flow for the Bank and its subsidiaries in the year ended December 31, 2022 and 2021:

	December 2022		
	Up to 12 months	Over 12 months	Total
Financial liabilities at fair value through profit or loss	58,322,379	4,512,151	62,834,530
Financial liabilities at amortized cost	218,037,044	79,119,891	297,156,935
Securities sold under repurchase agreements	78,342,684	8,796,648	87,139,332
Deposits	104,464,297	11,285,375	115,749,672
Funds from acceptances and issuance of securities	27,686,963	40,257,716	67,944,679
Borrowings, onlendings and leases	7,543,100	10,560,147	18,103,247
Subordinated debts and debt instruments eligible to capital	-	8,220,005	8,220,005
Tax liabilities	-	2,178,344	2,178,344
Sundry liabilities	21,838,699	1,376,282	23,214,981
Other liabilities	9,604,866	602,916	10,207,782
Social and statutory liabilities	3,569,719	-	3,569,719
Provision for contingent liabilities	302,812	4,788,634	5,091,446
Provision for loss on financial guarantees	82,088	193,548	275,636
Total liabilities	311,757,606	92,771,766	404,529,372

	December 2021		
	Up to 12 months	Over 12 months	Total
Financial liabilities at fair value through profit or loss	30,490,976	4,501,696	34,992,672
Financial liabilities at amortized cost	90,334,596	152,076,780	242,411,376
Securities sold under repurchase agreements	57,940,235	4403	57,944,638
Deposits	8,263,324	101,291,449	109,554,773
Funds from acceptances and issuance of securities	17,864,113	39,599,281	57,463,394
Borrowings, onlendings and leases	3,447,748	5,946,034	9,393,782
Subordinated debts and debt instruments eligible to capital	2,819,177	5,235,612	8,054,789
Tax liabilities	-	4,079,873	4,079,873
Sundry liabilities	12,284,110	1,062,055	13,346,165
Other liabilities	6,405,830	1,867,327	8,273,157
Social and statutory liabilities	3,102,618	-	3,102,618
Provision for contingent liabilities	331,063	1,539,165	1,870,228
Provision for loss on financial guarantees	90,945	114,765	205,710
Total liabilities	143,040,138	165,241,661	308,281,799

f. Operating risk

In line with the guidelines of Bacen and the concepts of the Basel Committee, the Bank established operating risk management policy applicable to the Bank and its subsidiaries in Brazil and abroad.

The policy consists of a set of principles, procedures, and instruments that provide for the permanent adequacy of risk management to the size, nature, and complexity of the Bank's products, services, activities, processes, and systems.

The Bank and its subsidiaries have a strong operational risk management culture, which is based on risk assessment, monitoring, simulation, and validation, and is based on consistent internal controls. There is a constant improvement in operational risk management and control mechanisms, aiming at complying with normative requirements and

Financial statements under IFRS

Banco BTG Pactual S.A.

regulatory agencies' guidelines, rapid adaptation to changes, and anticipation of trends, among which we can highlight the new Basel revision proposals.

g. Social and environmental risk (ESG)

BTG Pactual understands social, environmental and climatic risk as: financial losses or damage to the banks image and / or reputation, as a result of social and / or environmental damage. This also includes the possibility of losses for the institution directly or not caused by events associated to the low carbon economy transition process, in which greenhouse gas emissions are either reduced or compensated; and losses associated with extreme environmental conditions that may be related to climate changing patterns.

Btg Pactual, while conducting its business, activities and operating processes based on responsible and sustainable business practices, is committed to balancing economic, financial, regulatory, environmental, social and climatic aspects in its operations. We believe the solid commercial practices and company responsibility are long term values that should be applied daily to generate value for shareholders and clients through sustainable growth.

For updated information regarding the aforementioned risks and ESG, see our annual reports published in IR webpage, as well as our ESG page.

6. Cash

The breakdown of this financial item is shown in the table below:

	2022	2021
Cash	3,069,946	3,219,641
	3,069,946	3,219,641

The balance of this financial item refers basically to bank deposits abroad.

7. Financial assets and liabilities at fair value through profit or loss

a. Summary

	2022	2021
Assets		
Securities	92,001,575	117,908,287
Loans and advances to clients	3,605,244	5,479,637
Derivative financial instruments	14,288,216	10,170,860
Exchange rate	47,101,490	22,041,184
Total	156,996,525	155,599,968
Liabilities		
Derivative financial instruments	13,760,429	10,574,784
Stock loans	2,125,686	1,409,589
Exchange rate	46,948,415	23,008,298
Total	62,834,530	34,992,672

Financial statements under IFRS

Banco BTG Pactual S.A.

b. Securities:

	2022		2021	
	Cost	Fair value	Cost	Fair value
Brazilian government bonds	39,019,182	38,414,390	72,284,125	71,738,942
Debentures/Eurobonds	9,541,581	12,231,020	15,169,041	15,173,539
Rural Product Note	-	-	1,654,108	1,767,670
Investment fund shares	22,727,233	22,727,233	14,008,704	14,008,704
Stocks	10,006,567	10,006,567	6,517,396	6,517,396
Certificate of real estate receivables (CRI)	1,679,005	1,570,193	900,086	885,532
Bank deposit certificates	49,774	49,784	33,841	37,343
Certificates of agribusiness receivables	2,851,130	2,822,310	1,488,205	1,473,095
Promissory notes	1,721,726	1,721,726	-	-
Bonds issued by governments of other countries	-	-	1,018,087	1,138,097
Foreign private securities	2,161,079	2,277,366	4,878,976	5,153,142
Other	196,840	180,986	15,256	14,827
Total	89,954,117	92,001,575	117,967,825	117,908,287

c. Loans and advances to clients

	Fair value	
	2022	2021
Loans and advances to clients (i)	3,605,244	5,479,637

(i) They refer to positions from Banco Pan that were classified according to the "fair value through profit or loss" business model, considering the portfolio assignment strategy.

d. Derivative financial instruments

The Bank and its subsidiaries actively participate in risk intermediation operations involving derivative financial instruments, meeting their own needs and those of their customers, in order to reduce exposure to the market, currency and interest rate risks. A few derivative financial instruments may be associated with transactions with bonds and securities or, even with rights and obligations.

The management of the risks involved in these operations is carried out through strict control policies, establishment of strategies, determination of limits, among other monitoring techniques. The risk exposure limits are approved by the Board of Directors, based on the policies mentioned above.

Transactions in Brazil are traded, and registered or held in custody at B3 S.A., when carried out abroad, in top-tier brokerages. The BTG Pactual Conglomerate uses different financial instruments for economic hedge, such as option, forward, future and swap with periodic adjustments. The use of these instruments is intended to hedge treasury positions in markets, in order to adjust the existing risk level in the portfolio to the exposure limits set forth, whenever the risk management and monitoring Committees/areas deem it necessary.

- Net investment Hedge

In year ended December 31, 2022 and 2021 the Bank's net investment abroad hedge strategy consists of purchasing a hedge of exposure in foreign currency, arising from the functional currency of the foreign transaction in relation to the Bank's functional currency (real).

For protection regarding changes in future cash flows in result of foreign exchange variation on the net investments, in operations abroad, the Bank uses future contracts, financial assets and forward agreements of NDF (Non-Deliverable Forward) contracts contracted by our subsidiaries abroad.

Financial statements under IFRS

Banco BTG Pactual S.A.

	12/31/2022		
	Hedge instrument		
	Nominal value	Fair value (i)	Hedged item
Net investment hedge in foreign operations	17,833,471	1,090,005	(1,088,823)

	12/31/2021		
	Hedge instrument		
	Nominal value	Fair value (i)	Hedged item
Net investment hedge in foreign operations	12,548,495	(25,600)	(23,321)

(i) Recorded in the equity under "Carrying value adjustments".

- Market risk hedge structure:

In the year ended December 31, 2021, the Bank also adopted the fair value hedge strategy, which consists of accounting for the desired economic effects of the hedge. This exposure comes from the Structured Financing and Credit activity that the Bank operates with its clients through the Corporate Lending area, and due to the characteristics and practice of the Brazilian market, a relevant portion of the portfolio is indexed to fixed rates.

In order to finance all of Banco BTG Pactual's business lines, funds are raised through debt instruments indexed mainly to a percentage of the CDI and IPCA, consequently with intrinsic exposure to the fixed rate.

The main items hedged using this strategy are Bank Deposit Certificates-CDB, Financial Bills LF, Agrarian Credit Bills-LCA and Real Estate Credit Bills-LCI. The instruments, in turn, are DI and IPCA (DAP) futures and Swaps.

	12/31/2022		
	Hedge instrument		
	Nominal value	Fair value (i)	Hedged item
Fair value hedge	(14,403,135)	(770,541)	877,576

	12/31/2021		
	Hedge instrument		
	Nominal value	Fair value (i)	Hedged item
Fair value hedge	5,764,885	(123,068)	137,422

(i) Recorded in the statement of income.

- Derivative financial instruments per counterparty (notional)

Financial statements under IFRS

Banco BTG Pactual S.A.

	12/31/2022					12/31/2021
	Settlement chamber / stock exchange	Financial institutions and funds	Companies	Individuals	Total	Total
Future market						
Long position	63,524,718	-	-	-	63,524,718	45,206,559
Short position	57,514,170	-	-	-	57,514,170	19,190,535
Swap						
Asset position	22,534,619	164,208,924	17,666,065	219,037	204,628,645	84,934,812
Liability position	22,534,619	164,208,844	17,666,065	219,037	204,628,565	84,934,812
Credit derivatives						
Asset position	-	1,348,213	-	-	1,348,213	978,814
Liability position	-	5,131,045	-	-	5,131,045	323,273
Forward contracts - NDF						
Asset position	-	47,052,228	63,391,568	39,412	110,483,208	114,110,093
Liability position	-	47,052,228	63,391,568	39,412	110,483,208	114,110,093
Forward operations						
Asset position	206,405	1,395,290	16,671,871	-	18,273,566	1,284,540
Liability position	206,405	1,395,290	16,207,495	-	17,809,190	1,284,540
Options market						
Asset position	554,053	212,703,382	2,745,312	10,218	216,012,965	18,671,676
Liability position	689,369	203,707,576	2,503,311	3,864	206,904,120	7,687,479
Asset position	86,819,795	426,708,037	100,474,816	268,667	614,271,315	265,186,494
Liability position	80,944,563	421,494,983	99,768,439	262,313	602,470,298	227,530,732

• Derivative financial instruments recorded in memorandum and equity accounts (Notional):

	12/31/2022				12/31/2021
	Up to 6 months	06-12 months	>01 year	Total	Total
Future market					
Long position	29,523,450	10,379,284	23,621,984	63,524,718	45,206,559
Currency	326,678	214	4	326,896	4,113,753
Interest rate	19,700,217	9,783,386	14,420,092	43,903,695	35,072,690
Commodities	2,054,545	595,684	193,249	2,843,478	104,902
Indexes	7,442,010	-	9,008,639	16,450,649	5,915,214
Short position	27,335,775	11,169,486	19,008,909	57,514,170	19,190,535
Currency	5,230,924	39,831	1	5,270,756	132,024
Interest rate	14,852,886	9,716,350	18,755,577	43,324,813	18,782,585
Commodities	2,522,200	1,413,305	253,331	4,188,836	72,753
Indexes	4,729,765	-	-	4,729,765	203,173
Swap					
Asset position	132,133,575	29,267,715	43,227,354	204,628,644	84,934,812
Currency	18,064,593	4,540,715	1,665,492	24,270,800	17,038,073
Interest rate	112,134,888	24,069,068	40,820,196	177,024,152	59,438,261
Commodities	729,920	334,315	210,919	1,275,154	302,183
Indexes	80	-	-	80	5,083,100
Stocks	1,204,094	323,617	530,747	2,058,458	2,941,884
Other	-	-	-	-	131,311
Liability position	132,133,495	29,267,715	43,227,354	204,628,564	84,934,812
Currency	18,064,593	4,540,715	1,665,492	24,270,800	20,247,947
Interest rate	112,134,888	24,069,068	40,820,196	177,024,152	53,709,631
Indexes	-	-	-	-	4,732,739
Commodities	729,920	334,315	210,919	1,275,154	591,107
Stocks	1,204,094	323,617	530,747	2,058,458	4,174,671
Other	-	-	-	-	1,478,717
Credit derivatives					
Asset position	-	-	1,348,213	1,348,213	978,814
Sovereign	-	-	33,837	33,837	83,708
Corporate	-	-	1,314,376	1,314,376	895,106
Liability position	-	-	5,131,045	5,131,045	323,273
Sovereign	-	-	12,966	12,966	13,868
Corporate	-	-	5,118,079	5,118,079	309,405
Forward contracts - NDF					
Asset position	74,058,789	16,853,741	19,570,678	110,483,208	114,110,093
Currency	70,114,041	12,663,048	777,547	83,554,636	92,213,206
Commodities	3,944,748	4,190,693	18,793,131	26,928,572	21,848,219
Other	-	-	-	-	48,668
Liability position	74,058,789	16,853,741	19,570,678	110,483,208	114,110,093
Currency	70,114,041	12,663,048	777,547	83,554,636	92,213,206
Commodities	3,944,748	4,190,693	18,793,131	26,928,572	21,848,219

Financial statements under IFRS

Banco BTG Pactual S.A.

	12/31/2022				12/31/2021
	Up to 6 months	06-12 months	>01 year	Total	Total
Other	-	-	-	-	48,668
Forward operations					
Asset position	5,624,286	12,392,838	256,444	18,273,568	1,095,522
Interest rate	464,376	-	-	464,376	156,386
Commodities	4,571,149	12,380,046	254,575	17,205,770	-
Government bond	465,837	(19)	-	465,818	21,002
Stocks	-	-	-	-	917,915
Currency	122,924	12,811	1,869	137,604	219
Liability position	5,159,910	12,392,838	256,444	17,809,192	1,095,522
Interest rate	-	-	-	-	21,002
Commodities	4,571,149	12,380,046	254,575	17,205,770	-
Government bond	465,837	(19)	-	465,818	156,386
Stocks	122,924	12,811	1,869	137,604	917,915
Currency	-	-	-	-	219
Options market					
Asset position					
Purchase of purchase option	9,425,044	42,460,194	13,326,546	65,211,784	6,220,779
Stocks	2,945,495	417,606	182,227	3,545,328	622,376
Commodities	1,039,561	393,851	-	1,433,412	390,571
Indexes	2,101,236	39,516,740	11,428,500	53,046,476	946,397
Currency	3,338,752	2,131,997	1,715,819	7,186,568	4,261,385
Interest rate	-	-	-	-	-
Other	-	-	-	-	50
Stock option plan	24,202,292	126,433,221	165,668	150,801,181	12,450,897
Stocks	875,632	5,621,071	61,602	6,558,305	3,514,130
Commodities	471,918	-	-	471,918	4,218,894
Indexes	11,894,914	118,285,000	-	130,179,914	192,248
Currency	5,996,491	2,527,150	104,066	8,627,707	4,525,625
Interest rate	4,963,337	-	-	4,963,337	-
Other	-	-	-	-	-
Liability position					
Sale of purchase option	8,370,220	43,995,428	11,933,262	64,298,910	6,019,971
Stocks	3,213,956	264,033	122,059	3,600,048	722,585
Commodities	1,052,132	350,569	-	1,402,701	25,062
Indexes	2,094,786	39,506,740	11,428,500	53,030,026	4,417,495
Currency	2,009,346	3,874,086	382,703	6,266,135	854,829
Sale of put option	21,777,959	119,600,503	1,226,748	142,605,210	1,441,950
Stocks	781,457	280,655	69,848	1,131,960	944,724
Commodities	704,817	141,126	-	845,943	47,639
Indexes	11,889,346	118,264,000	-	130,153,346	28,063
Currency	3,439,002	914,722	1,156,900	5,510,624	421,524
Interest rate	4,963,337	-	-	4,963,337	-

Financial statements under IFRS

Banco BTG Pactual S.A.

- Derivative financial instruments – credit derivatives (notional)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Credit Swap		
Risk transferred		
Sovereign	33,837	83,708
Corporate	1,314,376	895,106
Risk received		
Sovereign	(12,966)	(13,868)
Corporate	(5,118,079)	(309,405)
Total	(3,782,832)	655,541

e. Reclassification of securities

Management classifies securities according to the business models defined based on the strategies of its trading desks.

In the years ended December 31, 2022 and 2021, reclassifications or changes in the intentions were not made by the Management.

8. Financial assets at fair value through other comprehensive income

	<u>12/31/2022</u>		<u>12/31/2021</u>	
	Cost	Market	Cost	Market
Brazilian government bonds	863,362	859,910	411,305	411,181
Shares of investment funds	66,293	66,293	340,398	340,398
Stocks	2,373,916	2,373,916	244,481	244,481
Debentures	6,696,478	6,632,630	5,199,545	5,156,952
Certificate of real estate receivables (CRI)	224,106	211,245	272,453	260,102
Certificates of agribusiness receivables	15,038	15,038	-	-
Promissory notes	3,541,427	3,520,241	1,336,637	1,332,611
Bonds issued by governments of other countries	-	-	31,956	31,877
Foreign private securities	2,796,672	2,710,234	742,682	749,594
Other	60,603	66,143	1,167,694	1,159,379
Total	16,637,895	16,455,650	9,747,151	9,686,575

9. Fair value of financial instruments

The fair values of financial instruments are determined as follows:

- Swaps - its cash flows are discounted to present values based on profitability curves that reflect the appropriate risk factors. These profitability curves can be traced mainly based on prices observed in negotiations at B3 S.A. for Brazilian government bonds on the secondary market or for derivatives and securities traded overseas. These profitability curves can be used to obtain the fair values of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.).
- Futures and Terms – quoted on stock exchanges or using criteria identical to those described above for swaps.
- Options – the fair values of these instruments are determined based on mathematical models (such as Black & Scholes) that are fed with data on implicit volatility, profitability curve for interest rates and fair values of the underlying assets. All of this data is obtained by using different sources (usually brokers and brokerage firms' prices, Bloomberg, Reuters).
- Credit derivatives – the fair values of these instruments are determined based on well-established mathematical market models that are fed with issuer's credit spread data and profitability curve for interest rates. This data is obtained using different sources (usually market prices, Bloomberg, Reuters).

Financial statements under IFRS

Banco BTG Pactual S.A.

- Securities – the fair values of public bonds are calculated based on the prices published by ANBIMA. The fair values of corporate debt securities are calculated based on secondary market prices, on the price of similar assets and on the market visibility by the Company's commercial areas. The shares are calculated based on the prices provided by B3 (Brazilian stock exchange). Fund quotas are calculated considering the prices of quotas disclosed by the custodian.
- Financial assets valued at fair value - we estimate the fair values of financial instruments by applying the discount of cash flows at present value based on profitability curves that reflect the appropriate risk factors.

We present below a summary of the pricing hierarchy of assets and liabilities at fair value, classified according to the pricing methodology adopted by the Bank:

	December 2022			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss	70,744,858	78,793,623	7,458,045	156,996,525
Financial assets at fair value through other comprehensive income	5,098,143	9,762,638	1,594,869	16,455,650
Liabilities				
Financial liabilities at fair value through profit or loss	17,413,166	45,361,369	59,995	62,834,530
	December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	86,334,737	58,330,041	10,935,190	155,599,968
Financial assets at fair value through other comprehensive income	1,215,632	7,938,580	532,363	9,686,575
Liabilities				
Financial liabilities at fair value through profit or loss	2,481,368	31,106,890	1,404,414	34,992,672

There were no reclassifications between the levels 1, 2 and 3 during the years ended December 31, 2022 and 2021.

10. Securities purchased under agreements to resell

The amounts presented below are basically short-term operations, indexed to reference interest rates in the local or foreign market.

	2022	2021
Own portfolio	10,329,313	1,749,089
Financed Operations	46,136,586	16,614,573
Short position	8,899,827	1,949,656
Total	65,365,726	20,313,318

11. Interbank deposits

The breakdown of this caption is shown in the table below:

	2022	2021
Interbank deposits	729,351	516,594
Foreign currency investments - overnight	8,019,195	3,611,976
Total	8,748,546	4,128,570

12. Loan operations

a. Breakdown of portfolio and expected loss

The breakdown of the caption Credit Operations and receivables is as follows:

Financial statements under IFRS

Banco BTG Pactual S.A.

	2022		
	Balance	Provision	Total
Loans	82,877,477	(5,266,019)	77,611,458
Financing	22,722,026	(1,490,735)	21,231,291
FINAME/BNDES	4,611,090	(22,298)	4,588,792
Operations with credit granting characteristics	3,294,589	(81,321)	3,213,268
Advance on export contracts - ACC	3,600,871	(12,637)	3,588,234
Financing of securities	1,000,715	(17,667)	983,048
Credits assigned with co-obligation	198,221	(13,283)	184,938
Subtotal	118,304,989	(6,903,960)	111,401,029
Mark-to-market (i)	(243,079)	-	(243,079)
Total	118,061,910	(6,903,960)	111,157,950

(i) Including contracts subject to hedge accounting.

	2021		
	Balance	Provision	Total
Loans	66,097,990	(2,939,235)	63,158,755
Financing	21,665,610	(1,618,565)	20,047,045
FINAME/BNDES	4,258,754	(16,936)	4,241,818
Advance on export contracts - ACC	3,835,385	(7,965)	3,827,420
Notes and credits receivables	3,234,998	(53,510)	3,181,488
Subtotal	99,092,737	(4,636,211)	94,456,526
Mark-to-market (i)	(614,367)	-	(614,367)
Total	98,478,370	(4,636,211)	93,842,159

(i) Including contracts subject to hedge accounting.

b. Changes in expected loss per stages

Changes in expected loss	Stage 1	Stage 2	Stage 3	Total
Balance at 12/31/2021	3,279,404	697,252	659,555	4,636,211
Transferred to Stage 1	(5)	(5,676)	(3,264)	(8,945)
Transferred to Stage 2	(187,928)	-	(2,018)	(189,946)
Transferred to Stage 3	(2,229,210)	(216,477)	-	(2,445,687)
From Stage 1	-	187,928	2,229,210	2,417,139
From Stage 2	5,676	-	216,477	222,153
From Stage 3	3,264	2,018	-	5,282
Inflows / (outflows) of operations in 2022 (i)	2,906,616	124,849	(763,711)	2,267,753
Balance at 12/31/2022	3,777,816	789,894	2,336,249	6,903,960

(i) It contains write-off.

Changes in expected loss	Stage 1	Stage 2	Stage 3	Total
Balance at 12/31/2020	342,435	200,240	1,116,176	1,658,851
Transferred to Stage 1	-	(4,529)	(88,441)	(92,970)
Transferred to Stage 2	(2,714)	-	-	(2,714)
Transferred to Stage 3	(872)	(16,493)	-	(17,365)
From Stage 1	-	2,714	872	3,586
From Stage 2	4,529	-	16,493	21,022
From Stage 3	88,441	-	-	88,441
Inflows / (outflows) of operations in 2021 (i)	75,982	(102,515)	(358,965)	(385,498)
Inflows / (outflows) of Banco Pan's operations in 2021 (ii)	2,771,603	617,835	(26,580)	3,362,858
Balances at 12/31/2021	3,279,404	697,252	659,555	4,636,211

(i) It contains write-off.

(ii) It refers to Banco Pan's allowance for doubtful accounts (PDD) balance since the business combination took place in 2021.

13. Securities measured at amortized cost

	2022	2021
Brazilian government bonds	8,816,005	3,447,660
Rural Product Note	6,612,834	-
Other	2,972	-
	15,431,811	3,447,660

14. Financial liabilities at amortized cost

Financial statements under IFRS

Banco BTG Pactual S.A.

a. Summary

	2022	2021
Deposits	115,749,672	109,554,773
Securities sold under repurchase agreements	87,139,332	57,944,638
Funds from acceptances and issuance of securities	67,944,679	57,463,394
Borrowings, onlendings and leases	18,103,247	9,393,782
Subordinated debts and debt instruments eligible to capital	8,220,005	8,054,789
Total	297,156,935	242,411,376

b. Deposits

	2022	2021
Demand deposit	8,641,922	10,060,092
Time deposit	102,303,311	95,519,889
Interbank deposit	4,590,532	3,521,406
Other deposits	218,739	451,182
Subtotal	115,754,504	109,552,569
Fair value adjustment (i)	(4,832)	2,204
Total	115,749,672	109,554,773

(i) Considering fair value adjustments of items subject to accounting hedge.

c. Securities sold under repurchase agreements

	2022	2021
Operations with own funds	23,533,248	7,184,993
Operations with third party funds	46,304,707	50,759,645
Short position	17,301,377	-
Total	87,139,332	57,944,638

d. Funds from acceptances and issuance of securities

	2022	2021
Securities – Domestic	53,326,359	41,504,088
Financial notes	29,848,247	24,003,943
Real estate credit/agribusiness notes	21,380,905	16,709,659
Structured notes	1,939,481	640,206
Debentures	157,726	150,280
Securities – Foreign	15,163,450	16,387,243
Medium term notes	11,803,051	13,576,270
Fixed rate notes	3,360,399	2,810,973
Subtotal	68,489,809	57,891,331
Fair Value adjustment (i)	(545,130)	(427,937)
Total	67,944,679	57,463,394

(i) Considering fair value adjustments of items subject to accounting hedge.

As of December 31, 2022, obligations for securities in Brazil are basically indexed to the reference interest rate (CDI) between 100% and 127%, or price indexes (IPCA and IGPM) plus a fixed rate between 0.49% p.a. and 7.85% p.a. (December 31, 2021 - reference interest rate (CDI) between 60% and 127%, or price indexes (IPCA and IGPM) plus a fixed rate between 1.2% p.a. and 7.55% p.a.).

As of December 31, 2022, obligations for securities abroad had rates between 2.5% p.a. and 7.4% p.a. (December 31, 2021 - between 3.0% p.a. and 7.39% p.a.).

e. Borrowings, onlendings and leases

	2022	2021
Foreign loans	7,097,919	4,809,486
Liabilities in foreign currencies	5,465,954	3,457,033
Foreign borrowings	1,631,965	1,352,453
Domestic borrowings	6,203,600	55,751
Domestic borrowings	6,203,600	55,751
Domestic onlendings	4,392,414	4,132,033
FINAME/BNDES	4,392,414	4,132,033
Lease operations (IFRS 16)	409,314	396,512
Total	18,103,247	9,393,782

Financial statements under IFRS

Banco BTG Pactual S.A.

As of December 31, 2022, obligations for borrowings and onlendings had rates between 1.54% p.a. and 13.00% p.a. (December 31, 2021 - between 1.35% p.a. and 8.00% p.a.).

f. Subordinated debts and debt instruments eligible to capital

Name of currency	2022				2021	
	Principal value (original currency)	Issue	Maturity	Compensation p.a.	Book balance	Book balance
Subordinated financial notes eligible to equity - R\$ (i)	3,939,240	02/15/2019	Perpetual	100-126%	4,555,561	174,441
Subordinated notes - US\$	8,547	09/28/2012	02/15/2029	5.75-7.75%	37,555	1,833,832
Subordinated notes - CLP	87,157,143	01/01/2018	11/01/2028	2.40%	543,066	514,362
Subordinated notes eligible to equity - US\$	585,663	02/15/2019	02/15/2029	8%	3,141,063	5,533,370
Subtotal					8,277,245	8,056,005
Fair value adjustment (ii)					(57,240)	(1,216)
Total					8,220,005	8,054,789

(i) Financial notes differ in maturities, rates and principal amount, with semi-annual amortization.

(ii) Considering fair value adjustments of items subject to accounting hedge.

15. Other assets

The breakdown of this caption is shown in the table below:

a. Other assets

	2022	2021
Judicial deposits (i)	2,941,481	1,581,763
Recoverable tax income	1,632,120	1,707,188
Pending settlements (ii)	4,406,961	5,425,547
Investment properties	570,835	560,845
Sundry debtors – Domestic (iii)	6,316,390	3,082,421
Services rendered receivable	206,226	129,976
Rights on the sale of electric power	157,018	224,208
Management and performance fee of funds and investment portfolios	1,011,786	390,189
Amounts to be settled	433,732	222,457
Dividends and bonuses	140,965	208,288
Prepaid expenses	1,416,685	1,095,684
Trading and intermediation of securities	457,666	585,719
Notes and credits receivable	7,717,086	5,932,816
Others	604,079	1,321,687
Total	28,013,030	22,468,788

(i) Judicial deposits are classified and measured at amortized cost. However, for purposes of format of presentation, we decided to maintain in the group of Amortized cost, in the balance sheet, only items related to the Bank's operation.

(ii) Amounts pending settlement, related to purchase and sale of securities and financial asset contracts carried out at B3 S.A., and, when carried out abroad, at first-rate brokerage firms, on its own behalf and on behalf of third parties.

(iii) It corresponds mainly to receivables from forward sales of commodities.

b. Rights-of-use

	2022	2021
Right-of-use of lease	401,066	388,831

Financial statements under IFRS

Banco BTG Pactual S.A.

16. Investments in affiliates and jointly-controlled subsidiaries

	Affiliates and jointly-controlled companies					
	Equity		Net income / (loss)		Interest	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Too Seguros S.A.	450,877	325,143	217,995	81,843	51.00%	51.00%
Pan Corretora S.A.	49,044	49,168	47,765	47,890	51.00%	51.00%
BTG Pactual Holding S.A.R.L.	3,427,813	6,681,688	1,079,848	2,150,673	40.00%	40.00%

	12/31/2021	Acquisition / Contribution / Transfer / (Sales) (ii)	Dividends/Interest on capital	Results from Interests	Exchange variation	Equity valuation adjustment	12/31/2022	Income from Interest in12/31/2021
Too Seguros S.A.	165,821	-	(47,166)	111,179	-	113	229,947	41,739
Pan Corretora S.A.	25,076	-	(24,424)	24,360	-	-	25,012	24,424
BTG Pactual Holding S.A.R.L.	2,672,675	-	(1,562,648)	431,939	(173,756)	2,915	1,371,125	860,269
Other (i)	4,660,931	1,589,826	(42,499)	180,959	(50,197)	(47,346)	6,291,674	713,284
Total	7,524,503	1,589,826	(1,676,737)	748,437	(223,953)	(44,318)	7,917,758	1,639,716

(i) The caption Other includes basically balances related to the following interest: Eneva: 22.02%, Galgo S.A.: 6.67%, Visum: 50% and Absolute: 25%. (As of December 31, 2021 – Eneva 21.53%, Galgo S.A. 6.67%, and Visum 50%).

(ii) In the year, the increase refers substantially to acquisitions of interest in Eneva and Absolute.

Financial statements under IFRS

Banco BTG Pactual S.A.

17. Intangible assets

	Changes in intangible assets				12/31/2022
	12/31/2021	Acquisitions / Transfer / Write-off (i)	Amortization	Exchange variation	
Goodwill (i)	8,345,665	55,317	-	-	8,400,982
Intangible assets	2,628,019	1,052,491	-	(47,419)	3,633,091
Accumulated amortization	(569,934)	(235,505)	(986,657)	11,443	(1,780,653)
Total	10,403,750	872,303	(986,657)	(35,976)	10,253,420

(i) As highlighted in Note 2, in June 2022, the evaluation of the allocation of assets for the acquisition of Banco Pan S.A. was concluded. In the year ended December 31, 2022, no impairment was identified in the period regarding such asset. The review of goodwill impairment (impairment) was based, among other factors, on macroeconomic assumptions, market share, regulatory and stress scenarios.

18. Tax liabilities

The breakdown of this caption is shown in the table below:

	2022	2021
Deferred	694,187	2,096,778
Social contribution and deferred income tax (Note 22)	694,187	2,096,778
Current	1,484,157	1,983,095
Taxes and contributions payable	194,566	410,886
Taxes and contributions payable	1,289,591	1,572,209
Total	2,178,344	4,079,873

19. Sundry liabilities

	2022	2021
Payables for acquisition of properties and rights	250,195	212,486
Provision for accounts payable	3,012,580	3,047,004
Sundry creditors and prepaid income (i)	19,952,206	10,086,675
Total	23,214,981	13,346,165

(i) It refers mainly to mathematical provisions for benefits to be granted to participants of pension plans sold by the consolidated company BTG Pactual Vida e Previdência S.A.

20. Other liabilities

The breakdown of this caption is shown in the table below:

	2022 (i)	2021
Payment transactions (ii)	3,258,247	3,153,966
Other liabilities from trading and intermediation of securities (iii)	3,845,103	2,399,370
Pending settlements	2,743,021	2,303,157
Other	361,411	416,664
Total	10,207,782	8,273,157

(i) Transactions classified in the group of Other liabilities have an average settlement below 90 days. Payments include operations that may exceed this period, but settlement will occur in less than 12 months.

(ii) They refer basically to payables related to card transactions.

(iii) This caption basically represents sales of securities issued by governments of other countries, to be settled within the regulatory terms.

Financial statements under IFRS

Banco BTG Pactual S.A.

21. Contingent assets and liabilities and legal obligations

The Bank's Management assesses the existing contingencies due to legal proceedings filed against the companies of the BTG Pactual Group, and make a provision, whenever considered appropriate, to cover probable losses arising from these legal proceedings. The Management's judgment considers the opinion of their external and internal lawyers about the expectation of success for each proceeding.

a. Provision

i. Tax provisions

It is constituted by lawsuits from former employees, mainly consisting of requests for overtime and salary equalization. The amounts of the provisions are estimated according to the analysis of the potential amount of loss, considering, among others, the stage of the process and the opinions of external legal advisors.

ii. Civil provisions

Provisions for tax and social security arise from judicial and administrative lawsuits related to federal taxes, state and municipal taxes. Its constitution is based on the probability of outflow of resources, also considering the opinion of external legal advisors and the instance in which each of the processes is held.

iii. Labor

Are made up of lawsuits from former employees, consisting mainly of requests for overtime and equal pay. The amounts for contingencies are provisioned based on an analysis of the potential loss amount, considering, but not limited to, the current stage of the process and the opinion of external and internal legal advisors.

b. Composition and movement of the provisions

Provision formed and respective changes may be shown as follows in the years ended December 31, 2022 and 2021:

	2022			
	Tax	Civil	Labor	Total
Balance at the beginning of the year	1,335,922	385,331	148,975	1,870,228
Merger of balance (i)	1,616,114	1,511,942	76,548	3,204,604
Increase / reversal	89,941	164,853	75,523	330,317
Write-off	(19,880)	(246,653)	(47,169)	(313,702)
Balance at the end of the year	3,022,096	1,815,473	253,877	5,091,446

(i) Balances arising substantially from the business combination of Banco BESA S.A. and its investees.

	2021			
	Tax	Civil	Labor	Total
Balance at the beginning of the year	1,559,046	170,846	4,659	1,776,482
Increase	262,653	488,147	200,091	950,891
Write-off	(485,597)	(273,662)	(97,697)	(856,956)
Foreign exchange variation	(180)	-	(9)	(189)
Balance at the end of the year	1,335,922	385,331	148,975	1,870,228

Financial statements under IFRS

Banco BTG Pactual S.A.

The nature of the main provisions is presented below.

i. Taxes with suspended enforceability and other tax liabilities

The Bank has been challenging in court the legality of certain taxes and contributions. The amounts relating to legal obligations and contingencies assessed by internal and external lawyers as probable losses are provisioned in the amount that Management deems appropriate to cover future losses. Among the aforementioned legal discussions, we highlight the process involving the legality of the charging COFINS in accordance with the rules established by Law 9718/98.

As of December 31, 2022, the Bank was party to tax proceedings with a possible outcome, which are not provisioned (IAS 37). The following is a description of the significant processes.

- Proceedings related to the payment of Share of Profit and Results (PLR), in which the alleged levy of social security contribution on the amounts regarding its interest and its deductibility from the IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) calculation basis is being discussed. The amount involved is BRL 1,187 million. Part of this amount is guaranteed by an indemnity clause, as it refers to the period prior to the acquisition of the Bank by the current controllers.
- Process related to the demutualization and the IPO of Bovespa and of BM&F, in which the taxation of PIS (Social Integration Program) and Cofins (Contribution to Social Security Financing) on income earned on the sale of shares of said companies is being discussed. The amount involved is BRL 73 million and is also guaranteed by an indemnity clause, as it refers to the period prior to the acquisition of the Bank by the current controllers.
- In December 2015, a tax deficiency notice was received in the amount of BRL 2,022 million, referring to the years 2010 and 2011, in which the tax interest considered the use of goodwill generated in the Bank's acquisition operations by UBS, carried out in 2006, improper, as in the Bank's buyback by BTG, in 2009. A defense against this notice was presented by the Administrative Council of Tax Appeals of the Brazilian Federal Revenue Service (CARF), which was judged partially favorable to reduce the amount of the tax deficiency notice by BRL 278 million. Against the unfavorable party, the Bank also appealed to CARF, which, in February 2019, was granted for the use of the goodwill generated in the acquisition transaction of the Bank by UBS. Appeals were filed against that decision by PGFN and the Bank.
- In December 2017, a tax deficiency notice was received in the amount of BRL 993 million, referring to 2012, in which the use of the goodwill generated in the Bank's acquisition operations by UBS carried out in 2006, the goodwill referring to the Bank's repurchase by BTG in 2009 and the goodwill generated in the private subscription of shares carried out by investors through Copa Prince Company, in 2011. In October 2019, the second administrative instance ruled partially upheld to recognize the goodwill generated in the private subscription of shares carried out by investors by means of the Copa Prince Company. Appeals were filed against that decision by the Bank and PGFN. In December 2018, a tax deficiency notice amounting to BRL 503 million was received regarding 2013. A defense was filed against this notice, which is awaiting a decision by the second administrative instance. Finally, in February 2019, a tax deficiency notice was received in the amount of BRL 303 million, referring to 2014. A defense was presented against this action, which is awaiting judgment at the second administrative instance. The Bank does not expect to incur any loss (other than resource expenses)

Financial statements under IFRS

Banco BTG Pactual S.A.

related to the tax deficiency notice and has not established (and does not expect to establish) any provision in its financial statements. In addition to the assessment as to the invalidity of the tax deficiency notice, should the Bank incur losses, Management believes it has the right to be indemnified by its parent company for part of these losses. Hence, in no event does BTG Pactual expect to incur any material loss related to this matter.

- In December 2017, the Bank received a tax deficiency notice discussing an alleged insufficient payment of PIS (Social Integration Program) and COFINS (Contribution to Social Security Financing) and imposing an isolated fine, referring to 2012, in the amount of BRL 222 million. An administrative appeal was filed against the notice, which was partially granted to exclude the isolated fine. Against the unfavorable part of the decision, an appeal was filed at the second administrative instance.
- In December 2017, as joint and several responsible for Banco Pan S.A., the Bank received a IRRF tax deficiency notice allegedly due to the sale of an investment in Brazil by a foreign entity, referring to the year 2012, in the amount of BRL 85 million. An administrative appeal was filed against the notice, which is awaiting judgment at the second administrative instance.
- In December 2017, the Bank received a tax deficiency notice seeking to collect Income Tax on the alleged capital gain in the merger of companies, when One Properties was incorporated by BR Properties, in the amount of BRL1,247 million. An administrative appeal was filed against the notice, which is awaiting judgment at the second administrative instance.
- In December 2018, the Bank was aware of the non-approval of the offsetting of the negative balance of IRPJ (Corporate Income Tax), referring to 2013, in the amount of BRL 78 million. In June 2019, an unfavorable decision was rendered at the administrative trial court. An appeal was filed against this decision, which is awaiting judgment at the second administrative instance. In March 2019, the Bank was aware of the non-approval of the offsetting of negative CSLL balance, for the same year, in the amount of BRL 74 million. In August 2019, an unfavorable decision was rendered to the Bank at the administrative trial court. Against this decision, an appeal was filed in the second administrative instance.
- In September 2019, as jointly and severally liable for Banco Sistema, the Bank received a tax deficiency notice aimed at collecting IRPJ (Corporate Income Tax), CSLL (Social Contribution on Net Income), PIS (Social Integration Program), and COFINS (Contribution to Social Security Financing), totaling BRL3,940 million, referring to the acquisition of Banco Bamerindus do Brasil (currently Banco Sistema) in 2014. In October 2019, a defense was presented at the administrative trial court that, in April 2020, was partially granted, reducing assessment amount by 98%. Against the unfavorable part of the decision, an appeal was filed at the second administrative instance. Due to the prognosis given by the lawyers, the Bank did not constitute any provision in its standalone financial statements. In addition, the Management does not expect to incur any loss related to the topic.
- In March 2020, the Bank received a tax deficiency notice aiming at the collection of IRPJ (Corporate Income Tax), CSLL (Social Contribution on Net Income), PIS (Social Integration Program) and COFINS (Contribution to Social Security Financing) on the capital gain on the sale of shares of Rede D'or, in 2015, in the amount of BRL 654 million. In September 2020, an unfavorable decision was issued at the administrative trial court. Against this decision, an appeal was filed in the second administrative instance.

Financial statements under IFRS

Banco BTG Pactual S.A.

- In July 2021, as jointly and severally liable, the Bank received an IRRF tax deficiency notice allegedly due on the income distributed to investment fund unitholders, in the amount of BRL 388 million. An administrative appeal was filed against the notice, which is awaiting judgment.
- In December 2021, the Bank received a tax deficiency notice aimed at charging IRPJ/CSLL, in the amount of BRL 106 million, resulting from an alleged formal error in filling out its ECF in 2016. An administrative appeal was filed against the notice, which is awaiting judgment.
- In December 2018, Gestora de Recursos, an indirect subsidiary of the Bank, received a tax assessment notice totaling BRL 108 million, referring to the years 2013 and 2014, regarding the amortized goodwill generated in the acquisition of BFRE in 2012. In September 2019, an unfavorable lower court decision was rendered. Against this decision, an appeal was filed to the second administrative instance.
- In December 2021, Banco Sistema received a tax deficiency notice of PIS/COFINS, in the amount of BRL135 million, allegedly levied on operating revenues for the period from 2007 to 2009. An administrative appeal was filed against the notice, which is awaiting judgment. If applicable only in the analysis of the consolidated scenario.
- INSS on Profit Sharing or Results (PLR) and Workers' Food Program (Programa de Alimentação do Trabalhador) (PAT) – Incidence of social security contributions on PLR and PAT, for the civil years of 2012, 2013, 2016, and 2017. The amounts related to this processes amounted, approximately, to BRL 136 million.
- Offsets not approved - Rejection of requests for offsetting of IRPJ, CSLL, PIS, COFINS, resulting from overpayments or undue payments. The amounts related to these processes amounted, approximately, to BRL 255 million.
- IRPJ/CSLL – Deductibility of Losses in Credit Operations and other operating expenses, referring to the calendar years from 2007 to 2016 of Banco Pan. The amounts related to these lawsuits total approximately BRL 970 million.
- PIS/COFINS – Deductibility of commission expenses paid to banking correspondents and losses on sale or transfer of financial assets, referring to the 2017 calendar year of Banco Pan. The amount related to this process totals approximately BRL 240 million.

ii. Other contingent liabilities

In the years ended on December 31, 2022 and 2021, the Bank was a party to civil, labor proceedings, and other contingencies, with the probability of possible success, which is why they are not provisioned.

22. Income tax and social security contribution

The reconciliation of income tax and social security contribution expense on profit with the product of the tax rate on profit before income tax and social security contribution is stated as follows:

Financial statements under IFRS

Banco BTG Pactual S.A.

Income tax and social contribution on profit	12/31/2022	12/31/2021
Calculation basis	9,204,516	11,464,264
Total charge of income tax and social contribution at current tax rates	(4,142,032)	(5,158,919)
Temporary (additions) / exclusions in tax calculation	3,237,887	4,491,791
Equity in the earnings of subsidiary, affiliates and jointly-controlled subsidiaries in the country	1,092,687	563,012
Dividends	317,256	63,394
Interest on equity	1,161,098	572,513
Result of market valuation of securities and derivative financial instruments	1,246,456	1,375,866
Expected loss allowances associated with credit risk	(620,730)	157,767
Foreign exchange gain/(loss) on investments abroad	31,253	(8,575)
Remeasurement of shareholding (Acquisition in stages)	(289,150)	1,632,357
Other non-deductible expenses, net of non-taxable income	299,018	135,457
Current income tax and social contribution expense - Brazil	(904,145)	(667,128)
(Expense) / revenue with deferred taxes	(678,647)	(4,107,491)
Total (expense) / income	(1,582,792)	(4,774,619)

Movement of deferred tax assets referring to income tax and social contribution, presented under the heading "Tax Assets - Deferred", can be shown as follows:

Income tax and social contribution	12/31/2021	Constitution	Realization	12/31/2022
Income tax losses and negative basis of social contribution on net income	1,993,882	-	(429,975)	1,563,907
Interest on equity	254,250	254,250	(254,250)	254,250
Expected loss allowances associated with credit risk	3,627,273	359,882	-	3,987,155
Mark-to-market of securities and derivatives	1,605,493	-	(1,202,842)	402,651
Business combination	(1,203,359)	(2,224,366)	-	(3,427,724)
Tax contingencies and provisions for suspended taxes	301,629	10,227	-	311,856
Other temporary differences	1,413,949	1,130,069	-	2,544,018
Total	7,993,117	(469,938)	(1,887,067)	5,636,112

Income tax and social contribution	12/31/2020	Constitution	Realization	12/31/2021
Income tax losses and negative basis of social contribution on net income	1,009,853	1,142,011	(157,982)	1,993,882
Interest on equity	253,350	254,250	(253,350)	254,250
Expected loss allowances associated with credit risk	1,898,528	1,728,745	-	3,627,273
Mark-to-market of securities and derivatives	2,840,159	52,530	(1,287,196)	1,605,493
Business combination	-	(1,203,359)	-	(1,203,359)
Tax contingencies and provisions for suspended taxes	246,347	55,282	-	301,629
Other temporary differences	1,801,651	990,702	(1,378,404)	1,413,949
Total	8,049,888	3,020,161	(3,076,932)	7,993,117

Below is the breakdown of present value of tax credits, in view of the expectation for the realization of deferred tax assets.

Description	Tax credits on temporary differences	Tax loss and negative basis for social contribution	Total
2023	698,812	157,340	856,152
2024	444,562	341,637	786,198
2025	1,109,087	582,988	1,692,075
2026	974,871	481,942	1,456,812
As from 2027	844,874	-	844,874
Total	4,072,205	1,563,907	5,636,112
Present value	2,889,131	1,116,719	4,005,849

Banco Pan S.A., a subsidiary consolidated in financial statements, has a tax credit balance of R\$ 3.5 billion, substantially recognized based on a study of current and future scenario approved by its Management. On November 13, 2019, Constitutional Amendment No. 103 was published, which provides for increase of Social Contribution on Banks' Profit rate from 15% to 20%, effective as of March 1, 2020.

Financial statements under IFRS

Banco BTG Pactual S.A.

On March 1, 2021, Provisional Presidential Decree No. 1034 was approved, whereby new CSLL tax rates have become effective. In this MP, the tax rate of 25% was established for banking companies until December 31, 2021, and 20% as of January 1, 2022. For the other financial institutions, the rate of 20% was foreseen until December 31, 2021, returning to 15% as of 2022. The effects of this increase on the financial statements for the financial year 2021 were irrelevant.

On April 28, 2022, Provisional Measure No. 1,115 was published, which established new CSLL rates for financial and similar institutions for the period between August 1, 2022 and December 31, 2022. Specifically, the MP increased to 21% the CSLL rate applicable to banks in the period in question, such rate being reduced again to 20% as of January 1, 2023. For other financial and similar institutions, according to applicable legislation, the CSLL rate was increased to 16% between August 1, 2022 and December 31, 2022, being reduced to 15% from January 1, 2023. The effects of this increase on the financial statements for the financial year 2021 were irrelevant.

23. Equity

a. Capital stock and capital reserve

On December 31, 2022, the capital stock, fully subscribed and paid-in, consists of 11,506,119,928 shares (December 31, 2021 - 11,506,119,928), of which 7,244,165,568 are common shares (December 31, 2021 - 7,244,165,568), 2,864,529,000 are class A preferred shares (December 31, 2021 - 2,864,529,000), and 1,397,425,360 are class B preferred shares (December 31, 2021 - 1,397,425,360), all registered and without par value.

At an special general meeting held on November 4, 2021, the capital increase due to the merger of Holding Universa was approved, in the amount of BRL 250,000, upon the issuance of 29,134,704 new shares, of which 9,711,568 are common shares, and 19,423,136 are class A preferred shares, all book-entry shares without par value issued by the Company, represented by 9,711,569 certificates securities (units) issued by BTG.

As described in note 2, on May 28, 2021, the Bank carried out a primary public offering with restricted efforts to distribute 24,402,000 Units, comprising 24,402,000 common shares and 48,804,000 preferred shares.

As described in note 2, on January 13, 2021, the Bank carried out a primary public offering with restricted efforts to distribute 27,777,778 Units, comprising 27,777,778 common shares and 55,555,556 preferred shares.

The common shares entitle one opinion to such holders in the resolutions of the General Meeting, and shall take part in the profit distribution under the same conditions as Class A preferred shares and Class B preferred shares.

Holders of Class A and B preferred shares will not have the right to vote, but will have priority in the repayment of capital, without premium, and will participate, on equal terms with the common shares, in the distribution of profits.

Class A preferred shares entitle their holders to be included in a public offering for acquisition as a result of the possible sale of control of the Bank, and they are also guaranteed to receive an amount per share equal to at least 80% (eighty percent) of the amount paid per common share of the controlling group.

Financial statements under IFRS

Banco BTG Pactual S.A.

The Class B preferred shares shall be convertible into common shares, by means of a simple request in writing by its holder or by the Bank, without the need of a resolution and shareholders or board meeting, provided that (i) such conversion occurs upon the issuance of new shares by the Bank, within the limit of the authorized capital or otherwise (unless the shareholder wishing to convert is BTG Pactual Holding S.A.) (ii) after the conversion, BTG Pactual Holding S.A. (or the company that succeeds it on any account, including through merger, consolidation, spin-off or any type of corporate reorganization) continues to hold, directly or indirectly, more than 50% of the common shares issued by the Bank, and (iii) the shareholders' agreement shall be always observed; Such shares shall be convertible into class A preferred shares, upon request of its holder, provided that (i) the Bank is a publicly held company, with its shares listed on a stock exchange, and (ii) the provisions of the Shareholders' Agreement are always complied with.

Below is the breakdown of shares in the years:

	Common	Preferred shares		Total
		Class A	Class B	
Outstanding on December 31, 2022	7,244,165,568	2,864,529,000	1,397,425,360	11,506,119,928
In circulation on December 31, 2021	7,244,165,568	2,864,529,000	1,397,425,360	11,506,119,928

b. Treasury shares

In the year ended December 31, 2022, the Bank repurchased units in the amount of R\$ 231,252, equivalent to 10,000,000 units (as of December 31, 2021, the Bank had no treasury shares).

c. Legal reserve

Created on a semiannual basis at the rate of 5% of the net profit for the semester/fiscal year, before any other allocation, limited to 20% of the capital stock.

d. Statutory reserve

The purpose of this reserve, according to the Articles, is to maintain working capital, and its amount is limited to the capital stock.

e. Special revenue reserve

As of December 31, 2022 and 2021, this caption comprises the balance of R\$ 45,084 referring to tax on the equity arising from the merger of the Bank's subsidiary in Luxembourg in 2019.

Luxembourg tax law provides for a tax reduction on the Equity provided this is a non-distributable reserve. This reserve is established for a period of 5 years and for an amount equal to 5 times the net wealth tax liability of a given year.

This reserve includes amounts related to the year 2017 (EUR 4,668) and 2018 (EUR 2,464). Considering the period necessary to maintain this reserve, in 2021 the amount of EUR 782 (recognized in relation to 2016) was reclassified to the statutory reserve.

f. Unrealized profit reserve

Created due to non-allocation of profit and loss assessed in the agency abroad.

Financial statements under IFRS

Banco BTG Pactual S.A.

g. Profit distribution

Shareholders are entitled to minimum dividends at the limit of 1% of the net profit for the fiscal year adjusted pursuant to Article 202 of Law No. 6.404/76.

During the year ended December 31, 2022, the Bank resolved on the following amounts relating to interest on equity:

(i) BRL 1,200,000, equivalent to BRL 0.10 per share. Such amount and its respective destination were approved by the Board of Directors on August 1, 2022 and were paid on August 15, 2022.

(ii) BRL 750,000, equivalent to BRL 0.07 per share. Such amount and its respective destination were approved by the Board of Directors on December 13, 2022 to be paid on February 15, 2023.

(iii) BRL 565,000, equivalent to BRL 0.05 per share. Such amount and its respective destination were approved by the Board of Directors on December 29, 2022 to be paid on February 15, 2023.

Referring to the year ended on December 31, 2021, the Bank resolved on the following amounts relating to interest on equity:

(i) BRL 650,000, equivalent to BRL 0.06 per share. Such amount and its respective destination were approved by the Board of Directors on July 2, 2021 and were paid on February 12, 2021.

(ii) BRL 260,000, equivalent to BRL 0.02 per share. Such amount and its respective destination were approved by the Board of Directors on December 15, 2021, and were paid on January 6, 2022.

(iii) BRL 565,000, equivalent to BRL 0.05 per share. Such amount and its respective destination were approved by the Board of Directors on December 30, 2021, and were paid on January 6, 2022.

h. Non-controlling stockholders

Significant increase in balances equivalent to non-controlling stockholders during 2021 fiscal year is due to the final acquisition of Banco Pan in May, totaling as of December 31, 2021 the direct and indirect interest of BTG Pactual in Banco Pan of 73.95%. Increase as of December 31, 2022 mainly refers to the acquisition of interest in several investment funds.

Financial statements under IFRS

Banco BTG Pactual S.A.

24. Earnings per share

	<u>12/31/2022</u>	<u>12/31/2021</u>
Net income for the year	8,020,194	6,689,646
Weighted average per thousand outstanding common shares in the year	7,244,166	7,235,997
Weighted average per thousand treasury common shares	3,247	-
Net income per common share - basic	<u>1.08</u>	<u>0.98</u>
Net income per common share - diluted	<u>1.08</u>	<u>0.98</u>
Weighted average per thousand Class A preferred shares, outstanding in the year	2,864,529	2,848,192
Weighted average per thousand Class A preferred treasury shares	6,493	-
Net income per Class A preferred share - basic	<u>2.74</u>	<u>2.35</u>
Net income per Class A preferred share - diluted	<u>2.74</u>	<u>2.35</u>
Weighted average per thousand Class A preferred shares, outstanding in the year	1,397,425	1,397,425
Net income per Class B preferred share - basic and diluted	<u>5.61</u>	<u>4.79</u>
Weighted average per thousand outstanding shares in the year	11,506,120	11,481,615
Weighted average per thousand treasury shares	9,740	-
Net income per share - Basic	<u>0.70</u>	<u>0.58</u>
Net income per share - Diluted	<u>0.70</u>	<u>0.58</u>

25. Net profit (loss) from financial instruments

	<u>2022</u>	<u>2021</u>
Credit operations	28,967,079	15,755,667
Profit (loss) from compulsory investments at the Central Bank of Brazil	1,642,363	400,755
Securities sold under repurchase agreements	(15,402,127)	(4,277,622)
Deposits	(10,275,253)	(3,433,755)
Funds from acceptances and issuance of securities	(9,735,181)	(4,114,177)
Loans and onlending obligations and lease liabilities	(14,596,353)	(6,461,838)
Profit (loss) from operations with securities and derivatives	40,733,398	12,235,036
Total	<u>21,333,925</u>	<u>10,104,066</u>
Income from measured interest	37,983,659	24,975,808
Interest expense	(57,383,132)	(27,106,778)
Profit (loss) from fair value measurement	40,733,398	12,235,036

26. Revenue from services provided

	<u>2022</u>	<u>2021</u>
Management fee and performance bonus of funds and investment portfolios	2,031,843	1,730,613
Technical Advisory	2,129,942	2,084,180
Brokerage	1,194,052	924,775
Securities' placement commission	908,577	1,145,928
Income from guarantees	416,512	424,414
Revenues from services rendered to individuals and other services (i)	1,719,658	323,095
Total	<u>8,400,584</u>	<u>6,633,005</u>

(i) In the consolidated, substantially refers to services provided to Banco Pan, including credit card and deposit account fees

Financial statements under IFRS

Banco BTG Pactual S.A.

27. Other income / (expenses)

	<u>2022</u>	<u>2021</u>
Restatement of amounts receivable/payable for sale of assets and rights	63,601	18,267
Profit (loss) from exchange variation	154,380	210,648
Loan operation expenses	(1,690,292)	(708,553)
Provision for contingent liabilities	(330,317)	(107,556)
Other provisions	(68,098)	(187,904)
Non-operating profit (loss)	245,303	948,509
Other operating profit (loss) (i)	(626,421)	3,377,666
Total	(2,251,844)	3,551,077

(i) In 2021, it corresponds mainly to the remeasurement of previously held interest in Banco Pan (acquisition in stages), as indicated in NE 2.

28. Administrative expenses

	<u>2022</u>	<u>2021</u>
Outsourced and advisory services	(2,400,023)	(1,556,019)
Telecommunication and data processing	(1,662,311)	(1,319,439)
Rentals and condominiums	(129,172)	(122,601)
Travel and accommodation	(90,360)	(28,209)
Expenses of the financial system	(980,375)	(997,715)
Advertising and public relations	(666,627)	(355,385)
Depreciation and amortization	(719,962)	(277,059)
Commissions paid to banking correspondents	(1,537,949)	(830,631)
Other	(365,302)	(77,500)
Total	(8,552,081)	(5,564,558)

29. Related parties

BTG Pactual Group member institutions invest their cash and cash equivalents primarily in the Bank's funding products. The balances of transactions with related parties, which are carried out based on usual market rates and conditions, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Assets						
Securities and derivative financial instruments	-	-	20,404	972,403	20,404	972,403
Credit operations	5,381,593	4,427,603	519	473,904	5,382,112	4,901,507
Sundry	-	-	90,502	111,204	90,502	111,204
Liabilities						
Deposits	(22,260)	(53,075)	(78,560)	(383,342)	(100,820)	(436,417)
Derivative financial instruments	-	-	(418)	(546,378)	(418)	(546,378)
Securities sold under repurchase agreements	-	-	-	(997,631)	-	(997,631)
Others	-	-	(20,404)	(6,882)	(20,404)	(6,882)
	Parent company		Subsidiaries and joint controlled entities		Total	
	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Profit (loss) for the year						
Financial intermediation income	38	15	-	-	38	15
Financial intermediation expenses	(15,632)	(642)	(17,247)	(143,701)	(32,879)	(144,343)

The total compensation paid to Key Management Personnel for the year ended December 31, 2022 was R\$ 16,720 (December 31, 2021 – R\$ 16,360), which is considered as a short-term benefit.

Financial statements under IFRS

Banco BTG Pactual S.A.

30. Other information

a. Cash and cash equivalents

Balances at the beginning of the year	12/31/2021	12/31/2020
Cash	3,219,641	1,794,059
Interbank deposit investments (i)	4,128,570	2,437,242
Securities purchased under agreements to resell (i)	49,996,040	40,175,098
Total	57,344,251	44,406,399
Balances at the end of the year	12/31/2022	12/31/2021
Cash	3,068,946	3,219,641
Interbank deposit investments (i)	8,231,901	4,128,570
Securities purchased under agreements to resell (i)	65,255,592	49,996,040
Total	76,556,439	57,344,251

(i) They correspond to operations with a maturity of less than three months from the acquisition date.

b. BRGAAP and IFRS accounting practices comparison

As established by CMN Resolution 4818/20, we present below the main differences between the parent company financial statements prepared in accordance with the accounting practices adopted in Brazil for institutions authorized to operate by the Central Bank of Brazil (BRGAAP) and the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS).

Business combination

Goodwill acquired in business combinations results from the difference between the consideration and the fair value of the assets acquired and liabilities assumed. This goodwill is amortized over the expected period for the realization of future economic benefits that justified its recognition under BRGAAP. On the other hand, in accordance with IFRS, goodwill is not amortized, but is tested, at least annually, to identify possible impairments.

Regarding the acquisition in stages (step acquisition), until the year 2022, BRGAAP did not require the measurement of the fair value of the interest previously held before the acquisition of control. Under IFRS, the effects of remeasurements impacted the statement of income, with the corresponding amount being allocated to the revenue reserve. This difference in accounting treatment through 2022 results in a difference in equity across GAAP.

Financial instruments

In addition to the differences in the classification of financial instruments between BRGAAP and IFRS, the main divergence introduced by IFRS 9, in comparison with Central Bank's rules (Resolution 2682 and Circular Letter 3068), is the systematic calculation of expected loss for financial assets.

Leases

Although it has an insignificant impact on the result for the period, IFRS 16 provides for the accounting of the total flow of lease payments to be made, discounted at an incremental rate, as a liability of the Bank, with the corresponding recognition of the Right of use in Assets at the initial moment. Subsequently, the asset will be depreciated based on the useful life of the lease agreement, while the liability will be updated

Financial statements under IFRS

Banco BTG Pactual S.A.

considering the effect of interest over time. BRGAAP, on the other hand, provides for the straight-line recognition of lease in income, as a balancing entry in accounts payable monthly.

Foreign exchange variation of investments abroad

Until 2016, under BRGAAP, exchange changes on investments abroad were accounted for as profit (loss) for the period, while under IFRS these effects were always recorded in the Equity as Other Comprehensive Income when the functional currency of the investee was different from the functional currency of the investor. As of 2017, there was convergence in this accounting treatment in both practices, and since then the transactions have not shown differences. However, considering the divergence of concepts between practices up to 2017, there is a difference, arising from previous years, under Other comprehensive income between GAAPs.

Tax effects

Based on the items mentioned above and considering that the Bank's tax base is determined in accordance with BRGAAP accounting, deferred tax effects related to these GAAP differences are determined and accounted for in these financial statements.

31. Subsequent events

Revaluation of counterparty credit risk

In January 2023, there was a reassessment of the credit risk of a counterparty that disclosed a material fact about the detection of accounting inconsistencies in its balance sheet. In this way, there was an increase in the provision for expected credit loss (note 12), in line with the deterioration of its risk level, in our financial statements as of December 31, 2022.

FIS Privatbank S.A.

On March 23, 2023, Banco BTG Pactual S.A. communicated to stockholders and the market in general that one of its subsidiaries signed definitive documents referring to the acquisition of 100% (one hundred percent) of the share capital of a financial institution headquartered in Luxembourg, FIS Privatbank S.A., for EUR 21.3 million. Completion of the transaction is subject to the verification of certain conditions precedent, including obtaining all necessary regulatory approvals.

Certificate Of Completion

Envelope Id: C70F95309949491091197062F6C3F62C

Status: Completed

Subject: IFRS BTG Consolidado Dez22_ING

LoS / Área: Assurance (Audit, CMAAS)

Tipo de Documento: Relatórios ou Deliverables

Source Envelope:

Document Pages: 62

Signatures: 1

Envelope Originator:

Certificate Pages: 2

Initials: 0

Patricia Alves

AutoNav: Enabled

Av. Francisco Matarazzo, 1400, Torre Torino, Água Branca

Enveloped Stamping: Enabled

São Paulo, SP 05001-100

Time Zone: (UTC-03:00) Brasilia

patricia.a.oliveira@pwc.com

IP Address: 134.238.160.171

Record Tracking

Status: Original

14 July 2023 | 15:48

Holder: Patricia Alves

patricia.a.oliveira@pwc.com

Location: DocuSign

Status: Original

14 July 2023 | 15:54

Holder: CEDOC Brasil

BR_Sao-Paulo-Arquivo-Atendimento-Team@pwc.com

Location: DocuSign

Signer Events

Edison Arisa Pereira

edison.arisa@pwc.com

PricewaterhouseCoopers

Security Level: Email, Account Authentication (None), Digital Certificate

Signature Provider Details:

Signature Type: ICP Smart Card

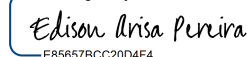
Signature Issuer: AC SERASA RFB v5

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Signature

DocuSigned by:



E85657BCC20D4F4...

Signature Adoption: Pre-selected Style

Using IP Address: 134.238.160.188

Timestamp

Sent: 14 July 2023 | 15:52

Viewed: 14 July 2023 | 15:53

Signed: 14 July 2023 | 15:54

In Person Signer Events**Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp****Carbon Copy Events****Status****Timestamp**

jacqueline costa

jacqueline.costa@pwc.com

PwC BR

Security Level: Email, Account Authentication (None)

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

COPIED

Sent: 14 July 2023 | 15:52

Carbon Copy Events	Status	Timestamp
Patricia Alves patricia.a.oliveira@pwc.com PwC BR Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 14 July 2023 15:54 Viewed: 14 July 2023 15:54 Signed: 14 July 2023 15:54

thais ferreira thais.ferreira@pwc.com PricewaterhouseCoopers Auditores Independentes Ltda. Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 14 July 2023 15:52
--	--------	----------------------------

Witness Events	Signature	Timestamp
----------------	-----------	-----------

Notary Events	Signature	Timestamp
---------------	-----------	-----------

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	14 July 2023 15:52
Certified Delivered	Security Checked	14 July 2023 15:53
Signing Complete	Security Checked	14 July 2023 15:54
Completed	Security Checked	14 July 2023 15:54

Payment Events	Status	Timestamps
----------------	--------	------------