

PagSeguro Digital Ltd.

Consolidated Financial Statements 2023

As of December 31, 2023 and 2022 and Report of Independent
Registered Public Accounting Firm

Feb 28, 2024



PagSeguro Digital Ltd.

Consolidated financial statements

As of December 31, 2023 and 2022

Contents

Report of Independent Registered Public Accounting Firm	3
Management's report on internal control over financial reporting	7
Consolidated financial statements	
Consolidated balance sheets	8
Consolidated statements of income	10
Consolidated statements of comprehensive income	11
Consolidated statements of changes in equity	12
Consolidated statements of cash flows	13
Notes to the consolidated financial statements	15



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
PagSeguro Digital Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of PagSeguro Digital Ltd. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition

As described in Note 2.15 to the consolidated financial statements, revenue comprises mainly fees charged for the electronic intermediation of the purchases made through the Company's electronic platform, and financial income mostly related to early payments made to merchants. Revenues from the intermediation transactions are recognized when the purchase transaction is approved by the financial institutions (card issuers) and the Company's performance obligation related to the electronic validation of the transaction is completed, while financial income is recognized when the payment to the merchant is anticipated. The Company recorded during the year ended December 31, 2023 as "revenue from transaction activities and other services", substantially related to electronic intermediation fees, and "financial income", mostly related to early payments to merchants, the amounts of R\$ 9,027,242 thousand and R\$ 6,653,046 thousand, respectively, as described in Note 23 to the consolidated financial statements.

The principal considerations for our determination that performing procedures relating to revenue recognition is a critical audit matter are (i) the complex information technology environment used to process a high volume of transactions with individually low amounts, resulting in a significant volume of data being extracted from the systems of the Company which needs to be reconciled with general ledger before being used for the audit procedures purpose and (ii) effort in performing audit procedures and in evaluating audit evidence considering the high volume and nature of data.

Our approach to addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included understanding and testing the effectiveness of controls relating to revenue recognition process. The procedures also included, among others, (1) reconciliation of the data extracted from the systems with the general ledger, (2) performing audit procedures over the information technology general controls of the Company's systems, (3) test the mathematical accuracy of the revenue recognized as a percentage of the transactions selected, also testing if the percentages applied for these transactions were in accordance with the applicable agreements, (4) performing, on a sample basis, cash collection inspection for the transactions selected and (5) evaluating the sufficiency of the Company's disclosures.

Measurement of expected credit losses for loans and credit card receivables

As described in Notes 2.6, 3.2 and 8 to the consolidated financial statements, management measures the expected credit losses at the probability-weighted estimate of credit losses, which involves management's judgment, as set forth in IFRS 9 - Financial Instruments. As of December 31, 2023, the expected credit losses on (i) loans and (ii) credit card receivables were R\$ 361,780 thousand and R\$ 185,404 thousand, respectively. The balance of (i) loans and (ii) credit card receivables as of December 31, 2023 was R\$ 409,737 thousand and R\$ 763,496 thousand, respectively. Management calculates expected credit losses ('ECL') using collective models, probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). The ECL measurement is based on management's estimate of present value expected to be received, which uses assumptions as the historical loss experience, credit quality and guarantees, economic factors and estimated future cash flows. In this assessment, management has considered forward-looking information, changes in macroeconomic scenarios, impacting the calculation model for provisioning expected credit losses.

The principal considerations for our determination that performing procedures relating to the measurement of expected credit losses is a critical audit matter are (i) there was significant judgment used by management in determining the expected credit losses, considering the severity of past due loans and credit card receivables during the current year and also the significant assumptions used in determining the PD, EAD and LGD, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating audit evidence obtained relating to these significant assumptions; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating those significant assumptions.



Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included understanding and testing the effectiveness of controls relating to management's measurement of expected credit losses, which included controls over the assumptions used. These procedures also included, among others: (i) the involvement of professionals with specialized skill and knowledge to assist in testing management's process for determining the expected credit losses, including evaluating the appropriateness of the methodology and models, testing the accuracy and completeness of data used, and evaluating the reasonableness of significant assumptions; (ii) the analysis of management's accounting policies in comparison with IFRS 9 - Financial Instruments; and (iii) evaluating the sufficiency of the Company's disclosures.

São Paulo, São Paulo, February 27, 2024

/s/PricewaterhouseCoopers
Auditores Independentes Ltda.

We have served as the Company's auditor since 2020.

Management's Report on Internal Control over Financial Reporting

The management of Pagseguro Digital Ltd. and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

The Company's internal control over financial reporting is a process under the supervision of the chief executive officer and chief financial officer and effected by the Company's Statutory Audit Committee, the Company's Board of Directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with and in compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with and in compliance with IFRS as issued by the IASB and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, is based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management has concluded that, as of December 31, 2023 the Company's internal control over financial reporting is effective.

São Paulo
February 26, 2024.

/s/ Alexandre Magnani
Alexandre Magnani
Chief Executive Officer

/s/ Artur Schunck
Artur Gaulke Schunck
Chief Financial Officer

PagSeguro Digital Ltd.

Consolidated balance sheets
As of December 31, 2023 and 2022
(All amounts in thousands of reais)

	Note	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	6	2,899,060	1,829,097
Financial investments	7	3,308,583	1,103,299
Accounts receivable	8	41,757,204	36,248,589
Receivables from related parties	10	4,307	-
Inventories		33,537	13,281
Tax receivable	9	563,305	410,801
Other receivables		162,832	162,011
Total current assets		48,728,828	39,767,078
Non-current assets			
Accounts receivable	8	1,143,779	745,546
Receivables from related parties	10	27,974	-
Judicial deposits		50,992	44,855
Deferred income tax and social contribution	20	98,856	99,411
Other receivables		35,584	18,509
Investment		-	1,651
Property and equipment	12	2,451,011	2,493,499
Intangible assets	13	2,571,069	2,158,773
Total non-current assets		6,379,265	5,562,244
Total assets		55,108,093	45,329,322

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

PagSeguro Digital Ltd.

Consolidated balance sheets
As of December 31, 2023 and 2022
(All amounts in thousands of reais)

	Note	December 31, 2023	December 31, 2022
Liabilities and equity			
Current Liabilities			
Payables to third parties	14	21,348,527	17,988,139
Deposits	15	11,365,373	10,100,599
Borrowings	19	189,427	-
Derivative financial instruments	27	40,945	22,289
Trade payables		513,920	449,102
Payables to related parties	10	135,478	593,906
Salaries and social security charges	16	345,248	292,778
Taxes and contributions	17	240,671	89,779
Provision for contingencies	18	91,490	46,233
Deferred revenue	2.15	128,461	126,042
Other liabilities		32,379	31,484
Total current liabilities		34,431,919	29,740,351
Non-current liabilities			
Payables to third parties	14	185,861	84,759
Deposits	15	4,823,067	1,894,689
Payables to related parties	10	341,326	-
Deferred income tax and social contribution	20	1,832,087	1,564,228
Provision for contingencies	18	5,729	14,370
Deferred revenue	2.15	17,724	17,486
Other liabilities		229,695	171,313
Total non-current liabilities		7,435,489	3,746,845
Total liabilities		41,867,408	33,487,196
Equity			
Share capital	21	26	26
Treasury shares	21	(760,317)	(475,354)
Capital reserve	21	6,132,745	6,102,573
Retained earnings	21	7,891,076	6,237,392
Equity valuation adjustments	21	(22,372)	(22,372)
Other comprehensive income	21	(473)	(139)
Total equity		13,240,685	11,842,126
Total liabilities and equity		55,108,093	45,329,322

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

PagSeguro Digital Ltd.

Consolidated statements of income

Years ended December 31, 2023, 2022 and 2021

(All amounts in thousands of reais unless otherwise stated)

	Note	For the year ended December 31,		
		2023	2022	2021
Revenue from transaction activities and other services	23	9,027,242	8,906,406	6,784,806
Financial income	23	6,653,046	6,252,735	3,514,425
Other financial income	23	268,113	175,773	149,491
Total revenue and income		15,948,401	15,334,914	10,448,722
Cost of sales and services	24	(8,132,580)	(7,470,895)	(5,775,895)
Selling expenses	24	(1,429,816)	(1,946,075)	(1,523,908)
Administrative expenses	24	(732,689)	(668,679)	(877,559)
Financial expenses	24	(3,269,556)	(3,151,552)	(790,635)
Other income (expenses), net	24	(366,653)	(338,397)	7,302
Profit before income taxes		2,017,107	1,759,316	1,488,027
Current income tax and social contribution	20	(101,846)	(60,718)	(119,801)
Deferred income tax and social contribution	20	(261,577)	(193,830)	(201,942)
Income tax and social contribution		(363,423)	(254,548)	(321,743)
Net income for the period		1,653,684	1,504,768	1,166,284
Attributable to:				
Equity holders of the parent		1,653,684	1,504,768	1,166,102
Non-controlling interests		-	-	182
Basic earnings per common share - R\$	22	5.1387	4.6002	3.5303
Diluted earnings per common share - R\$	22	5.1047	4.5705	3.5105

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

PagSeguro Digital Ltd.

Consolidated statements of comprehensive income
 Years ended December 31, 2023, 2022 and 2021
 (All amounts in thousands of reais)

	For the year ended December 31,		
	2023	2022	2021
Net income for the period	1,653,684	1,504,768	1,166,284
Other comprehensive income that may be reclassified to the statement of income in subsequent periods			
Currency translation adjustment	56	(677)	(117)
Loss on investments designated at fair value through OCI	(845)	(162)	411
Derivative Financial Instruments through OCI	253	-	-
Income tax and social contribution	201	55	(140)
Other comprehensive income for the period	1,653,349	1,503,984	1,166,438
Attributable to			
Equity holders of the parent	1,653,349	1,503,984	1,166,256
Non-controlling interests	-	-	182
Net income for the period	1,653,349	1,503,984	1,166,438

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

PagSeguro Digital Ltd.

Consolidated statements of changes in equity
 Years ended December 31 2023, 2022 and 2021
 (All amounts in thousands of reais)

Note	Share capital	Treasury shares	Capital reserve		Profit reserve		Equity valuation adjustments	Other comprehensive income	Total equity
			Capital reserve	Share-based long-term incentive plan (LTIP)	Retained earnings				
At December 31, 2020	26	(13,609)	5,690,089	94,199	3,566,522		(22,372)	491	9,327,459
Net income for the period	-	-	-	-	1,166,102	-	-	-	1,166,284
Currency translation adjustment	-	-	-	-	-	-	-	(117)	(117)
Gain on financial assets through OCI	-	-	-	-	-	-	-	271	271
Non-controlling	-	-	-	-	-	-	-	-	(12,295)
Shares issued	-	-	138,665	(138,665)	-	-	-	-	-
Share based long term incentive plan (LTIP)	-	-	-	305,408	-	-	-	-	305,408
Acquisition of treasury shares	-	(284,812)	-	-	-	-	-	-	(284,812)
(LTIP) of treasury shares	-	13,410	-	(13,410)	-	-	-	-	-
At December 31, 2021	26	(285,011)	5,828,754	247,532	4,732,624		(22,372)	645	10,502,198
Net income for the period	-	-	-	-	1,504,768	-	-	-	1,504,768
Currency translation adjustment	-	-	-	-	-	-	-	(677)	(677)
Loss on financial assets through OCI	-	-	-	-	-	-	-	(107)	(107)
Share based long term incentive plan (LTIP)	-	-	-	127,389	-	-	-	-	127,389
Acquisition of treasury shares	-	(291,445)	-	-	-	-	-	-	(291,445)
(LTIP) of treasury shares	-	101,102	-	(101,102)	-	-	-	-	-
At December 31, 2022	26	(475,354)	5,828,754	273,819	6,237,392		(22,372)	(139)	11,842,126
Net income for the period	21	-	-	-	1,653,684	-	-	-	1,653,684
Currency translation adjustment	21	-	-	-	-	-	-	56	56
Loss on financial assets through OCI	21	-	-	-	-	-	-	(558)	(558)
Derivative Financial Instruments through OCI	21	-	-	-	-	-	-	168	168
Share based long term incentive plan (LTIP)	21	-	-	144,617	-	-	-	-	144,617
Acquisition of treasury shares	21	(399,408)	-	-	-	-	-	-	(399,408)
(LTIP) of treasury shares	21	114,445	-	(114,445)	-	-	-	-	-
At December 31, 2023	26	(760,317)	5,828,754	303,991	7,891,076		(22,372)	(473)	13,240,685

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

PagSeguro Digital Ltd.

Consolidated statements of cash flows
Years ended December 31, 2023, 2022 and 2021
(All amounts in thousands of reais)

	Note	For the year ended December 31,		
		2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income taxes		2,017,107	1,759,316	1,488,027
Expenses (revenues) not affecting cash:				
Depreciation and amortization	24	1,355,653	1,130,690	768,593
Total Losses	24	536,048	984,487	664,268
Accrual of provision for contingencies		59,197	37,276	25,938
Share based long term incentive plan (LTIP)		144,617	127,391	370,629
Reversal of taxes and contributions		-	-	(4,638)
Loss on disposal of property, equipment, intangible and investment assets		295,989	270,901	28,393
Derivative Financial Instruments, net		1,025	22,289	5,952
Interest accrued		585,868	592,146	230,555
Other (income) cost, net		(1,750)	6,355	103,667
Changes in operating assets and liabilities				
Accounts receivable		(10,531,495)	(17,853,689)	(9,303,060)
Financial investments (mandatory guarantee)		(1,274,173)	(157,419)	(84,534)
Inventories		(20,256)	36,257	(132,398)
Taxes recoverable		(59,927)	154,273	(36,565)
Other receivables		(9,850)	26,050	(62,084)
Deferred revenue		2,123	(36,338)	(33,689)
Other liabilities		8,352	68,266	(17,312)
Payables to third parties		3,430,493	4,847,629	2,940,739
Trade payables		63,498	(133,846)	243,585
Receivables from (payables to) related parties		(191,812)	9,787	471,585
Deposits		4,945,183	9,006,018	2,276,041
Salaries and social charges		51,457	33,054	(8,091)
Taxes and contributions		127,276	25,829	(11,499)
Provision for contingencies		(28,652)	(24,234)	(17,763)
				-
		1,505,971	932,488	(93,661)
Income tax and social contribution paid		(82,633)	(89,899)	(76,782)
Interest income received (paid)		2,576,415	2,706,373	1,068,450
NET CASH PROVIDED BY OPERATING ACTIVITIES		3,999,753	3,548,964	898,007
CASH FLOWS FROM INVESTING ACTIVITIES				
Amount paid on acquisitions, net of cash acquired	11	(31,313)	-	(43,367)
Purchases of property and equipment	12	(951,558)	(1,096,059)	(972,274)
Purchases and development of intangible assets		(1,036,806)	(1,040,337)	(779,555)
Redemption (Acquisition) of financial investments		(684,120)	(48,134)	324,247
NET CASH USED IN INVESTING ACTIVITIES		(2,703,797)	(2,184,530)	(1,470,949)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings	19	300,000	250,000	1,012,086
Payment of borrowings	19	(100,000)	(1,213,144)	-
Payment of borrowings Interest	19	(9,613)	(56,931)	-
Acquisition of treasury shares	21	(399,408)	(291,443)	(257,992)
Payment of leases	12	(16,972)	(18,179)	(15,148)
Capital increase by non-controlling shareholders		-	-	(11,708)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(225,993)	(1,329,697)	727,238
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,069,963	34,735	154,297
Cash and cash equivalents at the beginning of the period	6	1,829,097	1,794,362	1,640,065
Cash and cash equivalents at the end of the period	6	2,899,060	1,829,097	1,794,362

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

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

1. General information

PagSeguro Digital Ltd., (“PagSeguro Digital” or the “Company”), is a holding company with its principal executive offices located in Cayman Islands, subsidiary of Universo Online S.A. (“UOL”), referred to, together with its subsidiaries, as the “PagSeguro Group”, and was incorporated on July 19, 2017. A total of 99.99% of the shares of PagSeguro Internet Instituição de Pagamento S.A. (“PagSeguro Brazil”) were contributed to PagSeguro Digital on January 4, 2018 and PagSeguro Digital maintains control of PagSeguro Brazil.

PagSeguro Brazil is a privately held corporation established on December 20, 2006, and engages in providing financial technology solutions and services and corresponding related activities, focused principally on micro-merchants and small and medium-sized businesses (“SMEs”).

In May, 2022, BS Holding constituted PagInvest CTVM Ltda. (“PagInvest”). The company provides financial services related to financial market.

In June 2022, Boa Compra Tecnologia Ltda., changed its name to PagSeguro Tecnologia Ltda. (“PagSeguro Tecnologia”) as part of a marketing strategy to bring the entity closer to PagSeguro’s brand.

In January 2023, Pagseguro Biva Serviços Financeiros Ltda. incorporated Pagseguro Biva Correspondente Bancário Ltda and, in July 2023, PagSeguro Instituição de Pagamento S.A. incorporated Registra Seguro S.A.

In July, 2023, PagSeguro Brazil acquired 90% of the shares of Netpos Serviços de Informática S.A. (Netpos), in addition to the 10% previously acquired and obtained 100% of the share capital of the company.

The subsidiaries of PagSeguro Digital are PagSeguro Brazil, PagSeg Participações Ltda. (“PagSeg”), BS Holding Financeira Ltda. (“BS Holding”) and PagSeguro Holding Ltd. (“PSHC”). The PagSeguro Group subsidiaries are as follows:

- PagSeguro Brazil subsidiaries are PagSeguro Biva Securitizadora de Créditos Financeiras S.A. (“Biva Sec”), Fundo de Investimento em Direitos Creditórios – PagSeguro (“FIDC”), Wirecard Brazil Instituição de Pagamento S.A. (“MOIP”), Concil Inteligência em Conciliação S.A. (“Concil”) and Netpos Serviços de Informática S.A. (“Netpos”).
- PagSeg subsidiaries are Net+Phone Telecomunicações Ltda. (“Net+Phone”), Pagseguro Tecnologia, BCPS Online Services Lda. (“BCPS”), CDS Serviços Financeiros Ltda. (“CDS”), Pagseguro Biva Serviços Financeiros Ltda. (“Biva Serviços”) and Pag Participações Ltda. (“Pag Participações”).
- Pag Participações subsidiaries are Tilix Digital Ltda. (“TILIX”), Yamí Software & Inovação Ltda. (“YAMÍ”) and Zygo Serviços de Tecnologia S.A. (“ZYGO”).

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

1. General information (Continued)

- PSHC subsidiaries are Pagseguro Chile SPA (“Pagseguro Chile”), Pagseguro Colombia S.A.S (“Pagseguro Colombia”), PSGP México S.A de C.V. (“PSGP Mexico”) and Pagseguro Peru S.A.C. (“Pagseguro Peru”).
- BS Holding subsidiaries are BancoSeguro S.A. (“Bancoseguro”) and Paginvest CTVM Ltda. (“Paginvest”).

These consolidated financial statements include Pagseguro Brazil, PagSeg, PSHC, BS Holding and corresponding subsidiaries.

2. Presentation and preparation of the consolidated financial statements and significant accounting policies

2.1. Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS®”), as issued by the International Accounting Standards Board (“IASB®”) and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties. The consolidated financial statements are presented in thousands of Brazilian reais, unless otherwise indicated, which is the functional currency of PagSeguro Group.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying PagSeguro Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

These consolidated financial statements as of December 31, 2023 and 2022 and for the three years ended December 31, 2023, were authorized for issuance by PagSeguro Digital’s Board of Directors on February 26, 2024.

2.2. Basis of consolidation

PagSeguro Group consolidates all entities over which it has control. Control is achieved when PagSeguro Group is exposed or has rights to variable returns with its involvement with the investee and can affect those returns through its power over the investee’s relevant activities.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Subsidiaries are all entities over which PagSeguro Digital has control. Subsidiaries are fully consolidated from the date PagSeguro Group obtains control of the subsidiary and ceases when PagSeguro Group loses control of the subsidiary. The subsidiaries included in the consolidation are described in Note 4.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3. Foreign currencies

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Reais at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions.

The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2.4. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash needs and not for investment or any other purposes. PagSeguro Group classifies as cash equivalents a financial investment that can be immediately converted into a known amount of cash and is subject to immaterial risk of change in value. PagSeguro Group classifies financial instruments with original maturities of three months or less as cash equivalents.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

2.5. Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling (such as the financial investment disclosed on Note 7).

Financial assets include cash and cash equivalents, financial investments, receivables from related parties, accounts receivable, judicial deposits and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, which may be (i) financial assets at amortized cost; (ii) financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments); and (iii) financial assets at fair value through profit or loss.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Financial assets at amortized cost

Financial assets at amortized cost relating to debt instruments are subsequently measured using the effective interest method and are subject to impairment. Financial assets at amortized cost relating to equity instruments are measured at cost of acquisition. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, accounts receivable, judicial deposits, financial investments, receivables from related parties, and other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are presented at fair value in the balance sheet, with the corresponding gains or losses recognized in the statement of income. The Group does not hold any financial asset within this category.

Financial assets at fair value through OCI

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in Brazilian Treasury Bonds, as disclosed in Note 7.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. The Group does not hold any financial asset within this category.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- The rights to receive cash flows from the asset expire; or
- PagSeguro Group transfers its rights to receive cash flows from the asset or assumes an obligation to pay the received cash flows in full to a third party under a "pass-through" arrangement; and (a) transfers virtually all the risks and benefits of the asset, or (b) neither transfers nor retains virtually all the risks and benefits of the asset, but transfers control of the asset.

When PagSeguro Group has transferred its rights to receive cash flows from an asset and has not transferred or retained substantially all the risks and benefits of the asset, this asset is recognized to the extent of PagSeguro Group's continuing involvement in the asset. In such case, PagSeguro Group also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that PagSeguro Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that PagSeguro Group may be required to repay.

ii) Impairment of financial assets

PagSeguro Group assesses at the balance sheet date, if there is significantly increase on credit risk of financial instruments since initial recognition that a financial asset or a group of financial assets is impaired. The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

ECLs are recognized in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group applies a credit risk policy taking into consideration the possibility of default by: (a) the card issuers, which have the obligation of transferring to the credit and debit card labels the fees charged for the transactions carried out by their card holders, and/or (b) the acquirers, which are used by the PagSeguro Group to approve transactions with the issuers. To mitigate this risk, the PagSeguro Group has established a Credit and Liquidity Risk Committee, whose responsibility is to assess the level of risk of each of the card issuers served by PagSeguro Group, as discussed in Note 26.

For debt instruments at fair value through OCI, the Group applies at every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. The Group's debt instruments at fair value through OCI comprise solely investments in Brazilian Treasury Bonds, considered to be low credit risk investments.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, or amortized cost. PagSeguro Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities include payables to third parties, deposits, payables to related parties, trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, which may be as follows:

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities and corresponding specific derivative entered with the objective of protecting against fair value exposure risk are also designated at fair value hedge.

Financial liabilities are classified as held-for-trading if acquired for sale in the short term. This category includes derivative financial instruments which do not meet the hedge accounting criteria defined by IFRS 9 - Financial Instruments.

Gains and losses on held-for-trading liabilities are recognized in the statement of income.

Financial liabilities at amortized cost

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method, and are recognized in the statement of income.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in "Financial expenses" in the statement of income.

Derecognition

A financial liability is derecognized when the obligation is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

iv) Financial instruments - offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is an existing and enforceable legal right to offset the amounts recognized and an intention to offset or to realize the asset and settle the liability simultaneously.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

v) Fair value of financial instruments

The fair value of financial instruments actively traded in organized markets is determined based on quoted market prices at the balance sheet date, without a deduction of transaction costs.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques include the use of recent arm's length transactions, reference to other similar instruments, discounted cash flow analysis or other valuation methods.

vi) Current versus non-current classification

The PagSeguro Group presents financial assets and liabilities in the balance sheet based on current and non-current classification. An asset is current when it is: (i) expected to be realized or intended to be sold or consumed in the normal operating cycle; (ii) held primarily for the purpose of trading; (iii) expected to be realized within twelve months after the reporting period; or (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: (i) it is expected to be settled in the normal operating cycle; (ii) it is held primarily for the purpose of trading; (iii) it is due to be settled within twelve months after the reporting period; or (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

vii) Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge accounting and, if so, the nature of the item being hedged.

At inception of the hedge accounting, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedge accounting are expected to offset changes in the cash flows of hedged items.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the remaining period until maturity, using a recalculated effective interest rate.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

2.6. Accounts receivable

Accounts receivable include mainly (i) the receivables from credit/debit card issuers and acquirers originated from transactions through PagSeguro Group payment platform and credit operations (ii) loans, credit card receivables and payroll loans and other credit operations. If the term is equivalent to one year or less, accounts receivable is classified as current assets, if not, as non-current assets.

For debit and credit cards receivables from the clients, since they are comprised of transactions approved by large financial institutions that have a low overall risk level based on ratings received from major credit rating agencies, the PagSeguro Group assess it's expected credit risk as low. This assessment is constantly updated considering other external factors, such as credit ratings assigned by FITCH, S&P and Moody's.

PagSeguro Group incurs financial expenses when an election to receive early payment of accounts receivable from financial institutions is made. This financial expense is recognized at the time the financial institution agrees to liquidate the accounts receivable due in installments on a prepaid basis, and it is recorded as Financial expenses in the statement of income.

For loans, credit card receivables and payroll loans and other credit operations, the methodology for determining the allowance for impairment loss is periodically reviewed, and calculated based on the multiplication of the following factors:

- Probability of Default (PD): probability of the counterparty not meeting its contractual payment obligations;
- Exposure at Default (EAD): amount exposed to credit risk at default; and
- Loss Given Default (LGD): percentage of the exposure that is not expected to be recovered in the event of default.

Pagseguro Group uses a credit risk rating model that assesses the risk of insolvency and default of counterparties, the methodologies and rules of which are defined in internal rules and policies. The main purpose of this credit risk rating model is to rate the likelihood of a customer to default, called Probability of Default (PD), by using objective factors that combine the economic and financial information on the customer and its economic group with the accessory guarantees offered for the operations: significant financial difficulty of the issuer or debtor; high probability of bankruptcy or composition with creditors or financial reorganization; breach of contract, such as a default or arrears in interest or principal payments; debt renegotiation; and the disappearance of an active market.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

The PD is set for each business segment established by PagSeguro, which segregation is mainly based on customer size, so that customers with similar behavior and PD are grouped.

The weighting of objective factors plus the analysis of the coverage percentage of accessory guarantees leads to the customer rating this allows the grouping of customers with similar credit risks and classification into one of the following stages:

- Stage 1: comprises the credit portfolio that have not shown significant increase in credit risk since initial recognition, or that showed a low credit risk at the reporting date of the financial statement. It requires the recognition of an allowance related to the expected credit losses resulting from default events that are possible within 12 months after the reporting date (12-month expected credit losses).
- Stage 2: comprises the credit portfolio that have shown significant increase in credit risk since initial recognition, but that did not show probability of the counterparty not meeting its contractual payment obligations. It requires the recognition of an allowance at the amount of the expected credit losses considering default events that are possible over the expected lifetime of the transaction.
- Stage 3: comprises the credit portfolio that show probability of the counterparty not meeting its contractual payment obligations. It requires the recognition of an allowance at the amount of the expected credit losses considering default events that are possible over the expected lifetime of the transaction.

In addition to the above-described internal policies and rules, used for calculating the necessary allowance requirements, the recognition of the allowance for impairment also takes into consideration prospective information and scenarios established by Pagseguro, as follows: change in macroeconomic scenarios which impact in the calculation mode, such as, unemployment rate, Gross Domestic Product (GDP), score to credit cards, inflation rate, debt rate and score to loans. Macroeconomic scenarios also involve inherent risks, market uncertainties and other factors that may give rise to results different from those expected.

Finally, in addition to the methodology for calculating the allowance for impairment (EAD x PD x LGD), Pagseguro takes into consideration any other factor that may not be reached by such methodology, applying such factor to the individual transaction level. In this assessment, management has considered forward looking information and assumptions as the historical loss experience, credit quality and guarantees, economic factors and estimated future cash flows, which could impact the calculation model for provisioning expected credit losses.

An asset or group of financial assets is impaired and impairment loss is incurred if: there is probability of the counterparty not meeting its contractual payment obligations as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"); such loss event (or events) effectively impact the estimated future cash flows of the operation; and the loss can be reliably estimated.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

If, in a subsequent period, the amount of the loss decreases and is objectively related to an event occurring after the loss recognition (such as an upgrade in the debtor's credit rating), the previously recognized loss is reversed by adjusting the allowance.

2.7. Inventories

Inventories consist of POS devices. Inventories are stated at historical cost. The Company used the average cost method to account for inventories' cost and corresponding provision for losses is recognized when sale value is lower than its purchase cost.

2.8. Property and equipment

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items and may also include finance costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to PagSeguro Group and that such benefits can be reliably measured.

The carrying amount of replaced items or parts is derecognized. All other repairs and maintenance expenses are charged to the statement of income during the year in which they are incurred.

The asset's residual values and useful lives are reviewed at the end of each reporting period, and adjusted on a prospective basis, if appropriate. Depreciation is calculated using the straight-line method, based on the estimated useful lives, as shown below:

Data processing equipment (includes the POS devices)	2.5 to 5 years
Building leasings	5 to 10 years
Machinery and equipment	5 to 10 years
Other assets	5 to 10 years

During 2023, the Company reviewed the estimated useful lives of these assets and no significant change was identified.

An item of property and equipment is derecognized upon disposal or when future economic benefits are expected from its use or disposal. Any gain or loss on disposal (calculated as the difference between the net disposal proceeds with the carrying amount of the asset) is recognized within "Other (expenses) income, net" in the statement of income when an asset is derecognized.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

An asset's carrying amount is immediately written down to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount. See note 2.10.

2.9. Intangible assets

Software licenses are recorded at historical cost. Software licenses are amortized on the straight-line basis over the estimated useful life of the software which is approximately five years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by PagSeguro Group are recognized as intangible assets.

Directly attributable costs relating to internal development of software are capitalized as part of the software product, which mainly includes costs incurred with employees and third-party contracted services.

Other development expenditures that do not meet the capitalization criteria are expensed as incurred. Development costs previously recorded as an expense are not recognized as an asset in a subsequent period and are included in the income statement.

Capitalized computer software development costs are amortized over their estimated useful lives which are reviewed at the end of each reporting period, and adjusted on a prospective basis, if appropriate.

2.10. Impairment of non-financial assets

The PagSeguro Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the PagSeguro Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Goodwill is impaired when the recoverable amount of the CGU is less than it is carrying amount, an impairment loss is recognized.

2.11. Payables to third parties

Payables to third parties refer to funds payable and amounts due to merchants that use PagSeguro Brazil platform. PagSeguro Group recognizes a liability for the transaction amount, net of the transaction cost that will be made available to the merchant on its PagSeguro account.

The payables to third parties from installment transactions are estimated based on the fair value, in accordance with the terms of these transactions.

2.12. Deposits

The PagSeguro Group has sell-buy back transactions (sales of financial assets with future repurchase agreement). Such repurchase agreements are recorded in term deposits accounts when refers to certificate deposits operations and interbank deposits accounts for financial letter issuance purposes. The difference between sale price and repurchase price is treated as interest and it is recognized during the term of the agreement by effective interest rate method.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

2.13. Borrowings

Borrowings are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method, except for the embedded derivative, which is measured at fair value through profit or loss.

Gains and losses are recognized in the consolidated income statements when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated income statements.

2.14. Provisions

Provisions are recognized when PagSeguro Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. When PagSeguro Group expects the value of a provision to be reimbursed, in whole or in part (for example, due to an insurance contract) the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses associated with any provisions are presented in the statement of income, net of any reimbursements. PagSeguro Group is a party to legal and administrative proceedings.

Provisions are established for all contingencies related to lawsuits for which it is probable that an outflow of funds will be necessary to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of loss includes the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal counsel. The provisions are reviewed and adjusted to reflect changes in circumstances.

2.15. Revenue and income

Revenue from contract with customers is recognized as control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services in the ordinary course of PagSeguro Group's activities. Revenue is presented net of sales and excise taxes and returns.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

PagSeguro Group's revenue from contract with customers substantially comprises:

- Revenue from transaction activities and other services: Revenue from fees charged for intermediation of electronic payments, and other services such as prepaid cards, which are recognized at the time the purchase is approved by the financial institution. Revenues from fees charged for intermediation of electronic payments are recognized on a gross basis and related transaction costs are recognized as Cost of sales and services, since PagSeguro Group is the principal in the intermediation transaction. PagSeguro Group has primary responsibility for providing the services to customers and directly sets the prices for such services, independently from the related transaction costs agreed between PagSeguro Group and the card schemes or card issuers.
- Revenue from membership fee: The Company charges a non-refundable membership fee at the inception of the contract with customers that provides access to the PagSeguro Group ecosystem. Revenue related to the non-refundable membership fee has been deferred according to the PagSeguro clients' internal metrics and recognized in deferred revenues over time.
- Revenue from credit operations: The Company recognizes income earned on a daily pro-rata basis. Income from credit operations due and overdue before entering in stop accrual is recorded in revenue from transaction activities and services. After stop accrual will only be recognized income when actually received.
- Income is mostly comprised of financial income recognized because of the discount rate charged on the early payments of payables to third parties (merchants). The income is recognized at the time the merchant receives the payment for the sale in installments on an early payment basis, and it is recorded as financial income in the statement of income.

2.16. Current and deferred income tax and social contribution

Current income tax and social contribution

Tax assets and liabilities for the current year are calculated based on the expected recoverable amount or the amount payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted or substantively enacted at the balance sheet date in the countries where PagSeguro Group operates and generates taxable income.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Current income tax and social contribution related to items recognized directly in equity are recognized in equity. PagSeguro Group periodically evaluates the tax positions involving interpretation of tax regulations and establishes provisions when appropriate.

Deferred taxes

Deferred taxes arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date.

Deferred tax liabilities are recognized for all temporary taxable differences, except in the following situations:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit; and
- On temporary tax differences related to investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences and tax loss carryforwards, to the extent that it is probable that taxable profit will be available against which they can be offset, except:

- When the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss; and
- On the deductible temporary differences associated with investments in subsidiaries. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and a deferred tax asset is recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will be available to allow their utilization.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Based on the local law of the Cayman Islands (specifically, the Companies Law of 1960), there is no taxation on the income earned by companies organized in this jurisdiction. Therefore, PagSeguro Digital has no income tax impacts in the Cayman Islands.

For the subsidiaries of PagSeguro Digital, deferred tax assets and liabilities are measured using the prevailing tax rates in the year in which the assets will be realized, and the liabilities will be settled. The currently defined tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes, except for BancoSeguro, which currently defined tax rates of 25% for income tax and 20% for social contribution and PagInvest, which currently defined tax rates of 25% for income tax and 15% for social contribution, according to the Law 14.446.

Deferred tax assets and liabilities are presented on a net basis when there is legally or contractually enforceable right to offset the tax asset against the tax liability, and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

2.17. Employee benefits - Profit sharing

PagSeguro Group recognizes a liability and an expense for profit sharing subject to achievement of operational targets and performance established and approved at the beginning of each fiscal year. PagSeguro Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

2.18. Business combination and goodwill

PagSeguro Group accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, based on its fair value on the acquisition date. Costs directly attributable to the acquisition are expensed as incurred.

The assets acquired, and liabilities assumed are measured at fair value, classified and allocated according to the contractual terms, economic circumstances, and relevant conditions on the acquisition date. PagSeguro Group recognizes any non-controlling interest in the acquired business either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquired businesses' identifiable net assets. Non-controlling interests are determined upon each acquisition. Acquisition-related costs are accounted for in the statement of income as incurred.

Goodwill is measured as the excess of the consideration transferred over the fair value of net assets acquired. If the consideration transferred is smaller than the fair value of net assets acquired, the difference is recognized as a gain on bargain purchase in the statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9.

2.19. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the PagSeguro Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in equity.

2.20. Share-based payments (LTIP and LTIP Goals)

LTIP-Goals was established by PagSeguro Brazil on December 18, 2018, as approved by the Company's board of directors, modified and ratified on August 7, 2019, February 21, 2020, January 19, 2021, August 16, 2021, and December 22, 2021. Beneficiaries under the LTIP-Goals are selected by the LTIP-Goals Committee, which consists of the Company's Chairman of the board of directors and two officers of UOL.

Beneficiaries under the LTIP-Goals granted awards, which may be payable in cash, Class A common shares or a combination of the two, at the discretion of the LTIP-Goals Committee based on the goals established in the Company's corporate results-sharing plan for any given year. If any portion of an award was payable in Class A common shares, the relevant value in Brazilian reais was converted into Class A common shares will set a determination date that falls no later than on the last business day of March following the year for which such amount was awarded. Under the LTIP-Goals plan, the relevant payment shall be made and/or Class A common shares delivered within 10 business days of that determination date.

Before the LTIP-Goals was created, members of management participated in the LTIP, which was established by UOL for its group companies on July 29, 2015 and was adopted by PagSeguro Digital Ltd. Beneficiaries under the LTIP were selected by UOL's LTIP Committee, which consists of the Company's chairman and two officers of UOL. Since the establishment of LTIP-Goals on December 18, 2018, no new rights have been, nor will be, granted under the LTIP. Beneficiaries under the LTIP were granted rights in the form of notional cash amounts without cash consideration. In this plan, employees (including senior executives) of the UOL group companies receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. These rights vest in five equal annual installments starting one year after the beneficiary's grant date.

That cost is recognized in personnel expenses, together with a corresponding increase in equity over the period in which the service is fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense in the statement of profit or loss represents the movement in cumulative expense recognized as at the beginning and end of the year. No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

2.21. New accounting standards adopted in 2023

The accounting policies adopted in the preparation of the consolidated financial statements for the period ended December 31, 2023 are consistent with those adopted for the year ended December 31, 2022, except for the changes required by the pronouncements, interpretations and standards which became effective on January 1, 2023, as described below.

- IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period, Contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment and a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policy holders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to January 1, 2023. The Group did not identify material impacts under the new IFRS.

- Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies: in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of January 1, 2023. The Group did not identify material changes in the financial results.
- Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification: the amendment issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of January 1, 2023. The Group did not identify material changes in the financial results.
- Amendment to IAS 12 - Income Taxes: the amendment issued in May 2021 requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of January 1, 2023. The Group did not identify material changes in the financial results.
- OECD Pillar Two Rules – In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The group did not identify material changes in the financial results.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)

2.22. New accounting standards not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendment to IAS 1 "Presentation of Financial Statements": issued in May 2020 and 2022, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date (eg, receipt of a waiver or breach of covenant). The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of January 1, 2024. The Group did not identify material changes in the financial results.
- Amendments to IFRS 16 – The amendments to IFRS 16 specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. The amendments to IFRS 16 are effective as of January 1, 2024. The group did not expect material changes in the financial results.
- Amendments to IAS 7 and IFRS 7 – The objective of the amendments to IFRS 7 is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The amendments to IAS 7 are effective as of January 1, 2024. The group did not expect material changes in the financial results.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

3. Accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, PagSeguro Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The main estimates and assumptions are addressed below:

3.1. Provision for contingencies

PagSeguro Group recognizes provisions for civil, tax and labor lawsuits. The assessment of probability of loss includes assessing the available evidence and jurisprudence, the hierarchy of laws and most recent court decisions. Provisions are reviewed and adjusted to consider changes in circumstances such as the applicable limitation period, findings of tax inspections and additional exposures identified based on new issues or court decisions.

3.2 Measurement of loss allowance for expected credit losses

For accounts receivable from cards issuers, PagSeguro Group uses a provision matrix to calculate ECLs. The provision rates are based on the internal credit rating that consider external information, such as ratings given by major rating agencies and forward-looking factors specific to the debtors and the economic environment. For loans and credit cards receivable with the clients, the provision rates are based on EAD, PD and LGD as detailed in note 2.6 accounts receivable.

3.3 Impairment of goodwill

Management's judgment must be exercised especially in forecasting CGU's cash flows, computation of the weighted average cost of capital ("WACC"), estimation of inflation and long-term growth rate based on estimated gross domestic product used when calculating the value in use of the CGU, as described in Note 13.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

4.Consolidation of subsidiaries

As of December 31, 2023							
Company	Assets	Liabilities	Equity	Net income (loss) for the period	Ownership - %	Level	
Pagseguro Brazil	43,589,543	34,397,103	9,192,440	1,165,003	99.99	Direct	
BS Holding	834,565	225	834,340	69,071	100.00	Direct	
Pagseg Participações	2,114,250	871	2,113,379	83,101	99.99	Direct	
Pagseguro Holding	4,369	2,351	2,018	(3,120)	99.99	Direct	
Pag Participações	430,782	272,154	158,628	3,139	99.99	Indirect	
Paginvest Corretora	16,252	276	15,976	964	99.99	Indirect	
Net+Phone	536,583	121,535	415,048	72,634	99.99	Indirect	
PagSeguro Tecnologia	1,123,363	891,623	231,740	2,990	99.99	Indirect	
BCPS	2,247	44	2,203	217	99.99	Indirect	
BSEC	1,514,756	1,469,978	44,778	30,334	99.99	Indirect	
Biva Serviços	146,606	101,001	45,605	3,726	99.99	Indirect	
FIDC	5,324,969	728,280	4,596,689	2,460,443	100.00	Indirect	
TILIX	51,473	2,185	49,288	4,257	99.99	Indirect	
BancoSeguro	30,858,054	30,061,363	796,691	67,656	100.00	Indirect	
Yamí	135,126	100,968	34,158	193	99.99	Indirect	
CDS	210,517	200,403	10,114	401	99.99	Indirect	
ZYGO	215,856	152,082	63,774	3,282	99.99	Indirect	
MOIP	666,847	544,695	122,152	(8,618)	100.00	Indirect	
Concil	317,283	303,640	13,643	5,150	100.00	Indirect	
Netpos	5,246	2,837	2,409	2,689	100.00	Indirect	
Pagseguro Chile	7,807	8,092	(285)	(1,309)	100.00	Indirect	
Pagseguro Colombia	5,585	5,122	463	(403)	100.00	Indirect	
PSGP México	1,590	2,387	(797)	(1,003)	100.00	Indirect	
Pagseguro Peru	2,967	1,330	1,637	(615)	100.00	Indirect	

As of December 31, 2022							
Company	Assets	Liabilities	Equity	Net income (loss) for the year	Ownership - %	Level	
Pagseguro Brazil	28,149,503	18,821,951	9,327,552	1,065,582	99.99	Direct	
BS Holding	771,011	5,198	765,813	27,156	99.99	Direct	
Pagseg Participações	781,745	871	780,874	76,549	99.99	Direct	
Pagseguro Holding	3,269	1,365	1,904	(1,681)	99.99	Direct	
Pag Participações	165,265	9,775	155,490	(15,178)	99.99	Indirect	
Paginvest	2,016	4	2,012	12	99.99	Indirect	
Net+Phone	467,890	125,476	342,414	70,491	99.99	Indirect	
Pagseguro Tecnologia	363,377	134,468	228,909	15,880	99.99	Indirect	
BCPS	1,916	(41)	1,957	486	99.99	Indirect	
Biva Sec	1,840,045	1,825,459	14,586	7,491	99.99	Indirect	
Biva Serviços	68,164	26,240	41,924	4,676	99.99	Indirect	
Biva Corban	1,247	(16,181)	17,428	1,674	99.99	Indirect	
FIDC	5,122,004	792,391	4,329,613	2,211,249	100.00	Indirect	
TILIX	46,888	34,357	12,531	132	99.99	Indirect	
BancoSeguro	22,238,338	21,509,017	729,321	16,676	100.00	Indirect	
Yamí	34,796	33,331	1,465	(1,261)	99.99	Indirect	
Registra Seguro	5,000	23	4,977	(23)	99.99	Indirect	
CDS	10,192	479	9,713	239	99.99	Indirect	
Zygo	70,940	10,448	60,492	(11,242)	99.99	Indirect	
Moip	686,496	555,713	130,783	(60,439)	100.00	Indirect	
Concil	11,315	2,823	8,492	(6,317)	100.00	Indirect	
Pagseguro Chile	1,092	684	408	(626)	100.00	Indirect	
Pagseguro Colombia	968	751	217	(764)	100.00	Indirect	
PSGP México	1,118	973	145	(867)	100.00	Indirect	
Pagseguro Peru	906	772	134	789	100.00	Indirect	

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

4. Consolidation of subsidiaries (continued)

Subsidiaries are engaged in providing financial technology solutions and services and the corresponding related activities. Pagseguro Brazil has investments in the following companies:

- Biva Sec: The company's main objective is to acquire and securitize credit solutions of PagSeguro Group, such as, loans and credit card operation.
- FIDC: FIDC is a Brazilian investment fund that was formed on October 4, 2017 to finance the growth of PagSeguro Brazil's early payment of receivables feature by acquiring payables to third parties held by PagSeguro Brazil, as assignor. PagSeguro Brazil consolidates the financial statements of FIDC, since the risks of default and the responsibility for the payment of expenses and administration fees related to the FIDC are linked to subordinated quotas held by the PagSeguro Brazil.

On March 29, 2018, third party investors contributed capital in the amount of R\$ 20 million in FIDC, acquiring only senior and mezzanine quotas of the FIDC. On November 3, 2020 and November 1, 2021, the third party investors redeemed all of their capital related to the senior quotas and mezzanine quotas. On December 27, 2021 PagSeguro Brazil transferred 15% of their subordinated quotas to PagSeguro Digital. In October 2022, 100,000 new senior shares of the FIDC were issued with a nominal value of R\$1,000 each, totaling R\$100 million with third party investors and registered as other liabilities in PagSeguro Group. As of December 31, 2023, 100% of subordinated quotas are owned by the PagSeguro Group.

- RegistraSeguro: On October 2, 2019, PagSeguro Brazil constituted RegistraSeguro by investing R\$5,000 in share capital. The company provides financial services and software developments related to financial market. On July, 2023 was incorporated by PagSeguro Brazil.
- MOIP: On October 31, 2020, PagSeguro Brazil acquired 100% of the share capital of MOIP. The company provides an online payment platform and end-to-end payment processing for e-commerce and marketplaces. In August, 2023, MOIP's customer portfolio was migrated to PagSeguro Brazil to take advantage the structure in technology that the Group has, develop better conditions for customers and as part of strategy of the PagSeguro Group to bring more synergy in the business.
- Concil: On August 12, 2021, PagSeguro Brazil acquired 100% of the share capital of Concil. The company's corporate purpose is to provide professional data processing services, application service providers, internet hosting services, technical support, maintenance and other services in information technology, licensing, and assignment of the right to use computing.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

4. Consolidation of subsidiaries (continued)

- Netpos Serviços de Informática S.A. (“Netpos”): On July 18, 2023, PagSeguro Brazil acquired 90%, in addition to the 10% previously acquired and obtained 100% of the share capital of the company. Netpos’s main activity is software and hardware solutions focused on developing better business management conditions. More details in note 11.
- PagSeg: On July 15, 2020, PagSeguro Group constituted the company, a holding company incorporated under PagSeguro Digital, whose main objective is to acquire participations in other companies, commercial or civil, as partner, shareholder or quota holder, as well as the management of these holdings. PagSeg subsidiaries are:
 - Net+Phone: The company was mainly engaged to concentrate HUBs strategy to attendance our costumers.
 - BCPS: BCPS’s main activity is to serve as PagSeguro Tecnologia’s hub in Portugal and to handle part of its account management.
 - PagSeguro Tecnologia: Allows its clients to operate in cross-border transactions where the merchant and consumer are located in different countries across Latin America, Spain, Portugal and Turkey.
 - CDS: On August 31, 2020, PagSeguro Brazil acquired 100% of the issued shares of CDS. Payroll loans credit operations were offered by CDS and are now is offered by BancoSeguro.
 - Biva Serviços: whose main objective is the intermediation among investors, financial institutions and credit borrowers via an electronic platform.
- Pag Participações: On October 22, 2020, PagSeguro Group constituted the company, a holding company incorporated under PagSeg, whose main objective is to acquire participations in other companies, commercial or civil, as partner, shareholder or quota holder, as well as the management of these holdings. Pag Participações subsidiaries are:
 - TILIX: On December 5, 2018, PagSeguro Brazil acquired 100% of the share capital and obtained the control of TILIX. The company provides software development for managing payment solutions for B2C and B2B.
 - YAMÍ: On August 9, 2019, PagSeguro Brazil acquired 100% of the share capital and obtained the control of YAMÍ. The company provides a back-office platform for e-commerce and marketplace.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

4. Consolidation of subsidiaries (continued)

- Zygo: On July 23, 2020, PagSeguro Brazil acquired 100% of the issued shares of Zygo. ZYGO is a multisided customer engagement and loyalty platform that enables micro, small and medium sized merchants to acquire, engage and grow their customer base by offering customized marketing and loyalty programs and providing consumer insights and analytics.
- BS Holding: is a holding company whose main objective is to acquire participations in other companies, mainly related to banking and financial services, as partner, shareholder or quota holder, as well as the management of these holdings. BS Holding subsidiaries are:
 - BancoSeguro holds a license to provide financial services and its main products are the deposits of Pageseguro Group customers and the service offering of banking solutions for other companies in the Group.
 - PagInvest: On May 13, 2022, BS Holding was constituted by the Company by investing R\$2,000 in share capital. The company provides financial services related to financial market. In March, 2023, was approved by Brazilian Central Bank the amount of R\$13,000 totaling the inicial share capital in the amount of R\$15,000.
- PSHC: On March 18, 2021, PagSeguro Group constituted this holding company incorporated under PagSeguro Digital and additionally, in third quarter of 2021, Pageseguro Group established four new subsidiaries under PSHC.
 - Pageseguro Chile, Pageseguro Colombia, Pageseguro Peru and PSGP Mexico. Their main objective is to develop all kinds of operations directly or indirectly related to the creation, implementations, and maintenance of technological platforms for payments and especially about e-commerce or the internet in their countries. They may act, directly or indirectly as a facilitator and/or agent within payment systems and digital and electronic payment ecosystems.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

5. Segment reporting

Operating segments are determined based on the information reported and reviewed by the chief operating decision maker (“CODM”). The Board of Directors has been identified as the CODM, and is responsible for allocating resources and assessing the performance of the business and to make PagSeguro Group’s strategic decisions.

Considering that all decisions are based on consolidated reports, and that all decisions related to strategic and financial planning, purchases, investments and the allocation of funds are made on a consolidated basis, the PagSeguro Group and its subsidiaries operate in a single segment, as financial service agents.

Main companies of PagSeguro Group are domiciled in Brazil and have revenue arising from local customers and customers located abroad. The main revenue is related to sales from the domestic market. The revenue from international market represents 0.4%, 1.0% and 2.5% for the years 2023, 2022 and 2021.

6. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Short-term bank deposits	2,039,952	761,044
Short-term investment	859,108	1,068,053
	<u>2,899,060</u>	<u>1,829,097</u>

Cash and cash equivalents are held for the purpose of meeting short-term cash needs and include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three-month or less and with immaterial risk of change in value.

Short-term bank deposits is mainly represented by amounts to cover instant payments (PIX) with an average return of 100% of the Basic Interest Rate (SELIC, 11.75% per year on December 31, 2023 and 13.75% per year on December 31, 2022), cash on ATMs and clients payments. The increase is mainly due to reserved amount for PIX coverage during the holidays in the end of the year.

7. Financial investments

Consists mainly of investments in LFTs and compulsory reserve deposited in the Brazilian Central Bank in the amount of R\$3,308,583 as of December 31, 2023 (R\$1,103,299 as of December 31, 2022) with an average return of 100% of the Basic Interest Rate (SELIC, 11.75% per year as of December 31, 2023 and 13.75% per year as of December 31, 2022), invested to comply with certain requirements for authorized payment institutions and to support the operations for financial institutions as set forth by the Brazilian Central Bank regulation. The LFTs was classified at fair value through other comprehensive income and compulsory reserve was amortized cost. Unrealized accumulated loss on LFTs for the year ended December 31, 2023 totaled R\$699 (net loss of R\$558 for the year ended December 31, 2023).

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

8. Accounts receivable

	December 31, 2023					December 31, 2022						
	Visa	Master	Hipercard	Elo	Amex	Total	Visa	Master	Hipercard	Elo	Amex	Total
Legal obligors												
Itaú	1,815,225	7,203,055	540,223	-	-	9,558,503	1,920,151	5,268,454	649,586	-	-	7,838,191
Nubank	-	5,913,071	-	-	-	5,913,071	-	4,050,376	-	-	-	4,050,376
Bradesco	1,863,042	224,025	-	1,148,502	429,743	3,665,312	2,924,890	242,708	-	1,228,553	440,535	4,836,685
Santander	843,398	2,637,687	-	-	19,105	3,500,190	829,714	2,564,868	-	-	11,021	3,405,603
Banco do Brasil	1,937,964	495,144	-	682,463	-	3,115,571	2,008,045	359,572	-	553,321	-	2,920,938
Banco Carrefour	155,646	1,230,208	-	-	-	1,385,854	142,392	973,915	-	-	-	1,116,307
CEF	439,417	258,672	-	607,032	-	1,305,121	369,282	180,490	-	453,043	-	1,002,815
Sicredi	479,383	595,408	-	-	-	1,074,791	404,825	372,297	-	-	-	777,122
Banco C6	-	1,033,435	-	-	-	1,033,435	-	825,958	-	-	-	825,958
Porto Seguro	713,380	317,673	-	-	-	1,031,053	708,008	216,926	-	-	-	924,934
Banco Cooperativo Sicoob	974	1,015,421	-	-	-	1,016,395	-	644,039	-	-	-	644,039
Banco Inter	-	898,789	-	-	-	898,789	-	550,070	-	-	-	550,070
Will Financeira	-	651,170	-	-	-	651,170	-	349,453	-	-	-	349,453
Banco Bradescard	427,071	134,822	-	16,181	-	578,074	470,100	113,100	-	15,613	-	598,813
Banco XP	475,067	-	-	-	-	475,067	406,986	-	-	-	-	406,986
Midway	184,143	206,642	-	-	-	390,785	268,221	124,417	-	-	-	392,638
Realize	184,069	187,732	-	-	-	371,801	166,754	185,371	-	-	-	352,125
Banco Votorantim	-	297,041	-	-	-	297,041	-	358,072	-	-	-	358,072
Pernambucanas	-	-	-	296,322	-	296,322	-	1,017	-	186,556	-	187,573
Mercado Pago	294,746	-	-	-	-	294,746	143,073	-	-	-	-	143,073
Banco Pan	50,788	180,207	-	6,596	-	237,591	68,683	246,112	-	10	-	314,805
Cred-system	-	233,930	-	-	-	233,930	-	153,681	-	-	-	153,681
Banco Original	-	232,629	-	-	-	232,629	-	246,976	-	-	-	246,976
Credz	230,518	-	-	-	-	230,518	176,030	-	-	-	-	176,030
Bancoob	223,182	-	-	-	-	223,182	112,743	208	-	-	-	112,951
Digio	193,603	-	-	2,380	-	195,983	180,936	1	-	14,454	-	195,391
Banrisul	32,560	160,119	-	-	-	192,679	36,400	133,065	-	-	-	169,465
Other	1,537,713	786,860	-	198,279	3,879	2,526,731	988,354	795,339	-	170,155	2,131	1,955,978
Total card issuers (i)	12,081,889	24,893,740	540,223	2,957,755	452,727	40,926,334	12,325,585	18,956,483	649,586	2,621,704	453,686	35,007,045
Current card issuers						40,675,655						34,884,835
Non - Current card issuers						250,679						122,215
Getnet	-	-	-	-	-	-	-	-	-	-	-	52,597
Other	-	-	-	-	-	12,053	-	-	-	-	-	10,963
Total acquirers (ii)	-	-	-	-	-	12,053	-	-	-	-	-	63,560
Loans, net	-	-	-	-	-	47,957	-	-	-	-	-	221,449
Credit card receivables, net	-	-	-	-	-	578,092	-	-	-	-	-	661,226
Payroll loans and other, net	-	-	-	-	-	1,317,306	-	-	-	-	-	852,425
Total credit receivables (iii)	-	-	-	-	-	1,943,355	-	-	-	-	-	1,735,100
Current						1,050,255						1,111,769
Non - Current						893,100						623,331
Other accounts receivables (iv)	-	-	-	-	-	19,241	-	-	-	-	-	188,425
Total accounts receivable	12,081,889	24,893,740	540,223	2,957,755	452,727	42,900,983	12,325,585	18,956,483	649,586	2,621,704	453,686	36,994,135
Current						41,757,204						36,248,589
Non - Current						1,143,779						745,546

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2022

(All amounts in thousands of reais unless otherwise stated)

8. Accounts receivable (Continued)

(i) Card issuers: receivables derived from transactions where PagSeguro Brazil acts as the financial intermediary in operations with the issuing banks, related to the intermediation agreements between PagSeguro Brazil and Visa, Mastercard, Hipercard, Amex or Elo. However, PagSeguro Brazil's contractual accounts receivable are with the financial institutions, which are the legal obligors on the accounts receivable payment. Additionally, amounts due within 27 days of the original transaction, including those that fall due with the first installment receivables, are guaranteed by Visa, Mastercard, Hipercard, Amex or Elo, as applicable, if the legal obligors do not make the payment.

(ii) Acquirers: refers to card processing transactions to be received from the acquirers, which are a third parties acting as financial intermediaries between the issuing bank and PagSeguro Brazil.

(iii) Total credit receivables are presented net of the ECL ("expected credit losses"), are measured according to the IFRS 9, using: Exposure at Default (EAD) related to the exposed credit risk at default; Probability of Default (PD) related to the probability of the counterparty not meeting its contractual payment obligations; and Loss Given Default (LGD) related to the percentage of the exposure that is not expected to be recovered in the event of default, additionally to the methodology for calculating the allowance for impairment (EAD x PD x LGD). Pagseguro Group takes into consideration the forward-looking information and assumptions as the historical loss experienced at individual transactions level, credit quality and guarantees, economic factors and estimated future cash flows, which could impact the calculation model for provisioning expected credit losses.

(iv) Refers to other dispersed receivables from legal obligors.

The maturity analysis of accounts receivables is as follows:

	December 31, 2023	December 31, 2022
Past due	664,855	1,073,275
Due within 30 days	16,823,103	13,784,017
Due within 31 to 120 days	14,658,671	13,743,397
Due within 121 to 180 days	5,022,732	4,422,424
Due within 181 to 360 days	5,173,286	4,210,024
Due after 360 days	1,143,779	746,612
Expected credit losses	(585,443)	(985,614)
	42,900,983	36,994,135

The maturity analysis of credit receivables as of December 31, 2023 is as follows:

	December 31, 2023			
	Loans	Credit card receivables	Payroll loans and other	TOTAL
Past due	395,392	247,542	21,921	664,855
Due within 30 days	3,611	233,190	39,939	276,740
Due within 31 to 120 days	6,518	143,967	125,458	275,943
Due within 121 to 180 days	1,063	86,614	74,979	162,656
Due within 181 to 360 days	1,481	46,122	207,902	255,505
Due after 360 days	1,672	6,061	885,366	893,099
	409,737	763,496	1,355,565	2,528,798
Expected credit losses	(361,780)	(185,404)	(38,259)	(585,443)
Receivables net of ECL	47,957	578,092	1,317,306	1,943,355

	December 31, 2022			
	Loans	Credit card receivables	Payroll loans and other	TOTAL
Past due	468,236	603,352	1,687	1,073,275
Due within 30 days	35,435	232,013	24,332	291,780
Due within 31 to 120 days	102,413	146,409	72,599	321,421
Due within 121 to 180 days	49,642	86,055	40,621	176,318
Due within 181 to 360 days	70,218	43,615	119,691	233,524
Due after 360 days	17,435	1,066	605,895	624,396
	743,379	1,112,510	864,825	2,720,714
Expected credit losses	(521,929)	(451,285)	(12,400)	(985,614)
Receivables net of ECL	221,450	661,225	852,425	1,735,100

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

8. Accounts receivable (Continued)

For the credit receivables the weighting of objective factors plus the analysis of the coverage percentage of accessory guarantees leads to the customer rating, this allows the grouping of customers with similar credit risks and classification into one of the following stages as suggested by IFRS9:

	December 31, 2023		
	Credit Amount	Exposure off balance credit limits not used	Expected Credit Losses
Loans			
stage 1	12,710	-	(4,609)
stage 2	2,193	-	(1,415)
stage 3	394,834	-	(355,756)
Credit card receivables			
stage 1	360,233	852,138	(3,685)
stage 2	185,326	323,776	(10,203)
stage 3	217,937	3,618	(171,516)
Payroll loans and other (i)			
stage 1	1,317,858	-	(6,564)
stage 2	5,147	-	(887)
stage 3	32,560	-	(30,808)
TOTAL	2,528,798	1,179,532	(585,443)

	December 31, 2022		
	Credit Amount	Exposure off balance credit limits not used	Expected Credit Losses
Loans			
stage 1	173,407	-	(34,883)
stage 2	24,223	-	(12,982)
stage 3	545,749	-	(474,064)
Credit card receivables			
stage 1	439,544	663,059	(17,202)
stage 2	205,356	214,282	(34,756)
stage 3	467,611	9,033	(399,327)
Payroll loans and other (i)			
stage 1	844,075	-	(6,656)
stage 2	6,643	-	(201)
stage 3	14,106	-	(5,543)
TOTAL	2,720,714	886,374	(985,614)

(i) This line of credit are mainly related to payroll loans offered to retirees, public sector employees and Brazil's Severance Indemnity early prepayment, therefore are secured operation and less prone to expected credit losses.

The movement in the allowance for expected credit losses of credit receivables is as follows:

Expected credit losses	Loans	Credit card receivables	Payroll loans and other	Total
December 31, 2021	256,927	174,046	6,166	437,139
Additions (Reversals), net	265,002	277,239	11,351	553,592
Write-Off	-	-	(5,117)	(5,117)
December 31, 2022	521,929	451,285	12,400	985,614
Additions (Reversals), net	(2,749)	79,126	32,931	109,307
Write-Off (i)	(157,400)	(345,007)	(7,072)	(509,479)
December 31, 2023	361,780	185,404	38,259	585,442

(i) Based on the PagSeguro Group credit risk classification model, which assesses the risk of insolvency and default of counterparties related to credit receivables, for the year ended in December 31, 2023, the Company carried out a partial write-off of credit receivables, for cases in which the Company does not expect to receive these amounts. The credit card receivables were written-off in the amount of R\$345,007, working capital loans were written-off in the amount R\$157,400 and payroll loans were written-off in the amount R\$7,072 against the related provision for ECL recognized in previous periods.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

9. Tax receivable

	December 31, 2023	December 31, 2022
Income tax and Social contribution (i)	449,080	358,232
Social integration program (ii)	94,932	35,488
Other	19,293	17,081
	563,305	410,801

(i) Refers mainly to withholding taxes from income tax and social contribution.

(ii) Refers to Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) recoverable on transactions activities and other services and financial income.

10. Related-party balances and transactions

i) Balances and transactions with related parties

	December 31, 2023		December 31, 2022
	Receivables	Payables	Payables
Deposits (a)			
UOL – deposits	-	208,718	312,295
UOL Edtech Tecnologia Educacional S.A-deposits	-	127,471	122,197
Web Jump Design em Informática Ltda - deposits	-	8,684	12,372
Ingresso.com Ltda - deposits	-	30,856	21,833
Inwillia Desenvolvimento de produtos Digitais Ltda - deposits	-	41,554	60,096
Inwillia Holding Ltda - deposits	-	3,132	1,849
Others	-	-	2,544
	-	420,415	533,186
Others transactions and services			
UOL - sales of services (b)		15,784	16,170
Compasso Tecnologia Ltda. - sales of services (b)	-	646	-
Compasso UOL S.A.- sales of services (b)	-	13,089	12,624
Digital Services UOL S.A - sales of services (b)	-	-	244
Inwillia Desenvolvimento de produtos Digitais Ltda- sales of services (b)	-	11,121	12,897
Edge UOL Tecnologia Ltda - sales of services (b)	-	171	-
UOL - shared service costs (c)	-	8,659	11,790
Digital Services UOL S.A - borrowing (d)	32,281	-	-
Others	-	6,920	6,995
	32,281	56,390	60,720
	32,281	476,805	593,906

(a) Certificate of deposits (CD) acquired by related parties from BancoSeguro with interest rate between 104% to 106% (107% to 110% in December, 2022) per year of CDI. The maturity analysis is as follows:

	December 31, 2023	December 31, 2022
Due within 31 to 120 days	-	49,094
Due within 121 to 180 days	-	28,604
Due within 181 to 360 days	79,089	455,488
Due to 361 days or more days	341,326	-
	420,415	533,186

(b) Sales of services refer mainly to the purchase of advertising services from UOL, colocation, development of software and cloud services.

(c) Shared services costs mainly related to payroll costs that are incurred by the parent company UOL and are charged to PagSeguro Group.

(d) This receivable refers to borrowing made from Biva Sec with interest rate of 100% of CDI plus 2.5% per year.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

10. Related-party balances and transactions (Continued)

ii) Revenue and expense from transactions with related parties

	For the year ended December 31,					
	2023		2022		2021	
	Revenue	Expense	Revenue	Expense	Revenue	Expense
Deposits (a)						
UOL - deposits	-	22,173	-	20,251	-	3,797
UOL Edtech Tecnologia - deposits	-	323	-	15,753	-	9,695
Web Jump Desing em Informática Ltda - deposits	-	1,232	-	931	-	-
Ingresso.com Ltda - deposits	-	2,439	-	954	-	-
UOL Cursos Tec. Ed. Ltda. - deposits	-	10,285	-	-	-	-
Invillia Desenvolvimento de produtos Digitais Ltda - deposits	-	5,706	-	-	-	-
	-	42,158	-	37,889	-	13,492
Other transactions and services						
UOL - sales of services (b)	3,134	68,815	3,115	83,462	3,221	92,664
Digital Services UOL S.A - sales of services (b)	-	907	-	2,339	-	2,887
Compasso Tecnologia Ltda. - sales of services (b)	-	7,850	-	-	-	-
Compasso UOL S.A.- sales of services (b)	-	147,850	-	136,726	-	102,912
Invillia Desenvolvimento de produtos Digitais Ltda - sales of services (b)	-	5,619	-	2,096	-	-
EDGE.UOL Tecnologia Ltda. - sales of services (b)	-	2,220	-	-	-	-
UOL - shared service costs (c)	-	98,525	-	121,809	-	141,915
Digital Services UOL S.A. - borrowing (d)	2,200	-	885	-	-	-
Others	923	6,749	885	11,265	1,013	16,529
	6,257	338,535	4,000	357,697	4,234	356,907
	6,257	380,693	4,000	395,586	4,234	370,399

(a) Expenses are related to Certificate of Deposits (CDI) from Banco Seguro. UOL Edtech Tecnologia was incorporated in 2023 by Passei Direto S.A.

(b) Sale of services expenses is related to advertising services from UOL, revenue is related to intermediation fee and expenses related to colocation and cloud services.

(c) Shared services costs mainly related to payroll costs sharing that are incurred by the parent company UOL and are charged to PagSeguro Group. Such costs are included in administrative expenses.

(d) Revenue refers to borrowing made from Biva Sec with interest rate of 100% of CDI plus 2.5% per year.

iii) Key management compensation

Key management compensation includes short and long-term benefits of PagSeguro Brazil's executive officers. The short and long-term compensation related to the executive officers for the year ended December 31, 2023 amounted to R\$35,074 (R\$21,446 for the year ended December 31, 2022 and R\$41,198 for the year ended December 31, 2021).

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

11. Business combinations

On July 18, 2023, PagSeguro Brazil acquired 90% of the share capital, in addition to the 10% previously acquired and obtained 100% of the shares of Netpos. Total consideration paid in cash amounted to R\$32 million and was made in only one installment with the total net assets acquired at fair value amounting to R\$16,069. Netpos main activity is the focused-on software solutions to improve the management of business in the information technology industry.

The preliminary purchase price allocation (“PPA”) considered the recognition of a customer portfolio with a fair value of R\$1,367, non-compete agreement of R\$1,154, software of R\$22,208 and recognition of deferred income tax on allocations above, resulting in the recognition of goodwill of R\$15,931. This goodwill is attributable to the workforce and the high profitability of the acquired business and will not be deductible for tax purposes.

The PPA was elaborated considering projections for the period of three years based on management’s budgets for Netpos and applying an inflation rate plus the estimated growth of GDP of services (fluctuating from 3.5% to 5% per year) to project future cash flows, with a discount based on the weighted average cost of capital (fluctuating from 16% to 16.5% per year).

This acquisition is in accordance with PagSeguro Group’s business strategies, ramping up investments on new technologies, products, and services for the Group’s digital ecosystem. The fair value of assets and liabilities acquired in 2023 was as follows:

	<u>December 31, 2023</u>
Fair value recognized on acquisition	
Cash and cash equivalents	4,567
Accounts receivable	1,409
Taxes recoverable	26
Other assets	472
Liabilities	(2,415)
Other payables (Dividends)	(4,311)
Deferred income tax and social contribution	(8,408)
Intangible assets:	
Softwares	22,208
Customer portfolio	1,367
Non-compete agreement	1,154
Net identified assets acquired	16,069
Goodwill	15,931
Net assets acquired	32,000
Cash consideration	32,000
Dividends paid	3,880
Cash and cash equivalents acquired	(4,567)
Amount paid on acquisition, net of cash acquired	31,313

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

12. Property and equipment

a) Property and equipment are composed as follows:

	December 31, 2023		
	Cost	Accumulated depreciation	Net
Data processing equipment	244,452	(90,976)	153,476
Machinery and equipment (i)	3,658,969	(1,482,900)	2,176,069
Buildings Leasing (ii)	154,343	(60,812)	93,531
Other	47,540	(19,605)	27,935
Total	4,105,304	(1,654,293)	2,451,011

	December 31, 2022		
	Cost	Accumulated depreciation	Net
Data processing equipment	214,279	(68,274)	146,005
Machinery and equipment (i)	3,382,067	(1,115,120)	2,266,947
Buildings Leasing (ii)	102,145	(43,901)	58,244
Other	33,692	(11,389)	22,303
Total	3,732,183	(1,238,684)	2,493,499

b) The changes in cost and accumulated depreciation were as follows:

	Data processing equipment	Machinery and equipment (i)	Buildings Leasing (ii)	Other	Total
On December 31, 2021					
Cost	106,643	2,798,823	94,048	29,909	3,029,423
Accumulated depreciation	(51,294)	(654,360)	(26,928)	(7,789)	(740,371)
Net book value	55,349	2,144,463	67,120	22,120	2,289,052
On December 31, 2022					
Opening balance					
Cost	107,636	583,244	8,097	3,783	702,760
Purchases	109,245	981,462	8,097	5,352	1,104,156
Disposals	(1,609)	(398,218)	-	(1,569)	(401,396)
Depreciation	(16,980)	(460,760)	(16,973)	(3,600)	(498,313)
Depreciation	(17,092)	(647,318)	(16,973)	(3,851)	(685,234)
Disposals	112	186,558	-	251	186,921
Net book value	146,005	2,266,947	58,244	22,303	2,493,499
On December 31, 2022					
Cost	214,279	3,382,067	102,145	33,692	3,732,183
Accumulated depreciation	(68,274)	(1,115,120)	(43,901)	(11,389)	(1,238,684)
Net book value	146,005	2,266,947	58,244	22,303	2,493,499
On December 31, 2023					
Cost	30,173	276,902	52,198	13,848	373,121
Purchases	30,242	902,688	55,975	18,628	1,007,533
Disposals/Provisions (iii)	(862)	(625,786)	(3,777)	(4,822)	(635,247)
Acquisition of subsidiary	793	-	-	42	835
Depreciation	(22,702)	(367,780)	(16,911)	(8,216)	(415,609)
Depreciation	(23,200)	(692,762)	(18,525)	(9,335)	(743,822)
Disposals (iii)	844	324,982	1,614	1,136	328,576
Acquisition of subsidiary	(346)	-	-	(17)	(363)
Net book value	153,476	2,176,069	93,531	27,935	2,451,011
On December 31, 2023					
Cost	244,452	3,658,969	154,343	47,540	4,105,304
Accumulated depreciation	(90,976)	(1,482,900)	(60,812)	(19,605)	(1,654,293)
Net book value	153,476	2,176,069	93,531	27,935	2,451,011

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

12. Property and equipment (continued)

- (i) Net book value of POS devices is R\$2,127,236 (R\$2,212,692 as of December 31, 2022), which are depreciated over 5 years. The depreciation of POS in the year ended December 31, 2023, amounted to R\$685,685 (R\$640,798 and R\$448,385 for the years ended December 31, 2022 and 2021). On December 31, 2023, PagSeguro Group have contractual obligations to acquire POS devices in the amount of R\$366,172 (R\$860,321 as of December 31, 2022).
- (ii) As of December 31, 2023, PagSeguro Group had a lease liability presented in other current liabilities in the amount of R\$14,777 (R\$18,704 as of December 31, 2022) and as non-current liability in the amount of R\$81,087 (R\$39,867 as of December 31, 2022). For the year ended December 31, 2023, the PagSeguro Group incurred in financial expenses related to these leases of R\$16,972 (R\$18,179 and R\$15,148 for the years ended December 31, 2022 and 2021).
- (iii) The net book value of disposals is R\$306,671 of which R\$635,247 are cost and R\$328,576 are accumulated depreciation. During the year ended December 31, 2023, the Company revised its business strategy towards a specific group of merchants and observed no future economic benefit is expected from them, resulting in the provision of POS devices allocated to these merchants in the net book value of R\$246,771 (R\$536,006 are cost and R\$289,235 are accumulated depreciation) and R\$199,868 (R\$387,261 are cost and R\$187,392 are accumulated depreciation) during the year ended December 31, 2022.

13. Intangible assets

a) Intangible assets are composed as follows:

	December 31, 2023		
	Cost	Accumulated amortization	Net
Expenditures related to software and technology (i)	3,887,300	(1,756,871)	2,130,429
Software licenses	335,561	(152,123)	183,438
Goodwill	227,066	-	227,066
Other	70,569	(40,433)	30,136
	4,520,496	(1,949,427)	2,571,069
	December 31, 2022		
	Cost	Accumulated amortization	Net
Expenditures related to software and technology (i)	2,904,505	(1,155,187)	1,749,318
Software licenses	257,096	(97,698)	159,398
Goodwill	209,908	-	209,908
Other	67,768	(27,619)	40,149
	3,439,277	(1,280,504)	2,158,773

- (i) The PagSeguro Group capitalizes expenses incurred with the development of platforms, which are amortized over their useful lives of approximately five years.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

13. Intangible Assets (continued)

b) The changes in cost and accumulated amortization were as follows:

	Expenditures with software and technology	Software licenses	Goodwill	Other	Total
On December 31, 2021					
Cost	2,016,541	196,854	209,908	67,768	2,491,071
Accumulated amortization	(772,804)	(53,129)	-	(14,962)	(840,895)
Net book value	1,243,737	143,725	209,908	52,806	1,650,176
On December 31, 2022					
Cost	887,964	60,242	-	-	948,206
Additions (i)	979,734	60,603	-	-	1,040,337
Disposals	(91,770)	(361)	-	-	(92,131)
Amortization	(382,383)	(44,569)	-	(12,657)	(439,609)
Amortization	(430,358)	(44,903)	-	(12,657)	(487,918)
Disposals	47,975	334	-	-	48,309
Net book value	1,749,318	159,398	209,908	40,149	2,158,773
On December 31, 2022					
Cost	2,904,505	257,096	209,908	67,768	3,439,277
Accumulated amortization	(1,155,187)	(97,698)	-	(27,619)	(1,280,504)
Net book value	1,749,318	159,398	209,908	40,149	2,158,773
On December 31, 2023					
Cost	982,795	78,465	17,158	2,801	1,081,219
Additions (i)	983,017	78,465	17,158	2,801	1,081,441
Disposals	(222)	-	-	-	(222)
Amortization	(601,684)	(54,425)	-	(12,814)	(668,923)
Amortization	(601,777)	(54,425)	-	(12,814)	(669,016)
Disposals	93	-	-	-	93
Net book value	2,130,429	183,438	227,066	30,136	2,571,069
On December 31, 2023					
Cost	3,887,300	335,561	227,066	70,569	4,520,496
Accumulated amortization	(1,756,871)	(152,123)	-	(40,433)	(1,949,427)
Net book value	2,130,429	183,438	227,066	30,136	2,571,069

(i) Refers to several and diverse expenditures with software and technology, mainly related to customer experience functionalities, such as, digital payment and digital banking account. Goodwill recorded in business combinations in 2023 are related to Netpos acquisition.

The goodwill is allocated to the Cash Generating Units (CGUs) in each of the acquired companies that generated the goodwill and is demonstrated below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Moip	148,218	148,218
Concil	20,731	20,731
Netpos	17,158	-
Biva Serviços	14,627	14,627
Banco Seguro	12,612	12,612
PagSeguro Tecnologia	6,570	6,570
Zygo	5,768	5,768
Yami	1,382	1,382
Total	227,066	209,908

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

13. Intangible Assets (continued)

The recoverable amount of a CGU is determined based on the value-in-use calculations. The goodwill was mainly represented by the MOIP acquisition in the amount of R\$148,218. The recoverability of this goodwill was tested using five-years budgets, a long-term growth rate based on estimated gross domestic product (1.89% in 2027 and 1.89% in 2028), inflation rates (3.51% in 2027 and 3.51% in 2028) metrics to project future cash flows and discount rate based on WACC (fluctuation from 14% to 16% per year). For the goodwill originated by other acquisitions the Company tested the recoverability using the same approach.

Based on these assessments, management concluded that the book balances of goodwill recorded in December 31, 2023 are recoverable, since the estimated value for CGU was higher than its book value and, therefore, no provision for impairment of was accounted for.

14. Payables to third parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payables to merchants (i)	10,151,464	9,405,429
Banking accounts (ii)	9,316,715	7,470,978
Merchant's payment account (iii)	2,066,209	1,196,491
	<u>21,534,388</u>	<u>18,072,898</u>
Current	21,348,527	17,988,139
Non - Current	185,861	84,759

- (i) Refers mainly to transactions of sales and services to be settle according by installments to merchant's net of PagSeguro Group's revenue.
- (ii) Refers to the balance of the clients maintained in their banking accounts that are invested by the client in Certificate of Deposits with 30 days of maturity and interest average rate of 72% of CDI (69% of CDI on December 31, 2022).
- (iii) Refers to merchant's payment account that PagSeguro Group acquire treasury bonds to comply with certain requirements as mentioned in note 7.

15. Deposits

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Certificate of Deposit (i)	13,062,034	9,806,062
Interbank deposits (ii)	3,126,406	2,101,152
Corporate securities	-	88,074
	<u>16,188,440</u>	<u>11,995,288</u>
Current	11,365,373	10,100,599
Non – Current	4,823,067	1,894,689

- (i) The average return is 110% of CDI (117% of CDI in December 31, 2022). From the total amount, R\$1,641,922 (R\$2,080,779 in December 31, 2022) refer to certificate of deposits with interest rates correlated to the IPCA (Brazilian inflation rates) and fixed rates. For these certificates of deposit, the Company entered into derivative financial instruments ("Swaps") with the specific objective of protecting deposit from fluctuations arising from inflation, changing IPCA and fixed rates for CDI rates. In December 31 2023, the Company recorded liabilities of Swaps in the amount of R\$23,314 (R\$22,289 in December 31, 2022).
- (ii) The average return is 111% of CDI (111% of CDI in December 2022).

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

15. Deposits (continued)

The maturity analysis of deposits based on due date of the agreements (disregarding that some can be withdrawn at any time, which is limited to the contracts with a due date of less than 360 days) is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Due within 30 days	1,621,234	864,864
Due within 31 to 120 days	6,087,472	3,253,826
Due within 121 to 180 days	2,513,783	1,945,917
Due within 181 to 360 days	1,142,884	4,035,992
Due to 361 days or more days	4,823,067	1,894,689
	<u>16,188,440</u>	<u>11,995,288</u>

The changes in deposits were as follows:

On December 31, 2021	<u>3,133,996</u>
Additions	25,475,725
Withdrawals	(17,228,838)
Interest	614,405
On December 31, 2022	<u>11,995,288</u>
Additions	17,958,706
Withdrawals	(14,408,110)
Interest	642,556
December 31, 2023	<u>16,188,440</u>

16. Salaries and social security charges

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payroll accruals and profit sharing	209,343	187,921
Payroll taxes (LTIP) (i)	73,881	42,791
Social charges	47,603	49,651
Other	14,421	12,415
	<u>345,248</u>	<u>292,778</u>

(i) Refers to social charges and income tax over LTIP and LTIP goals balances.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

17. Taxes and contributions

	December 31, 2023	December 31, 2022
Taxes		
Services tax (i)	193,048	184,536
Social integration program (ii)	57,318	35,003
Social contribution on revenues (ii)	358,429	211,749
Income tax and social contribution (iii)	4,476	4,104
Other	24,840	18,878
	<u>638,111</u>	<u>454,270</u>
	December 31, 2023	December 31, 2022
Judicial deposits (iv)		
Services tax (i)	(176,330)	(163,005)
Social integration program (ii)	(30,908)	(28,165)
Social contribution on revenues (ii)	(190,202)	(173,321)
	<u>(397,440)</u>	<u>(364,491)</u>
	<u>240,671</u>	<u>89,779</u>

(i) Refers to tax on revenues.

(ii) Refers mainly to Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) charged on financial income. The increase is mainly due to the taxes from FIDC.

(iii) Refers to the income tax and social contribution payable.

(iv) The PagSeguro Group obtained until January 2021 court decisions to deposit the amount related to the payments in escrow for matters discussed in items "i" and "ii" and above.

18. Provision for contingencies

PagSeguro Group is party to labor and civil litigation in progress and are discussing such matters at the administrative and judicial levels, for which in some cases the PagSeguro Group has made corresponding judicial deposits. The likelihood of a negative outcome is assessed periodically and adjusted by management, when appropriate. Such assessment considers the opinion of its external legal advisors.

	December 31, 2023	December 31, 2022
Civil	43,716	26,365
Labor	53,503	45,797
	<u>97,219</u>	<u>72,162</u>
Labor Deposits (i)	-	(11,559)
	<u>97,219</u>	<u>60,603</u>
Current	91,490	46,233
Non-Current	5,729	14,370

(i) On September 2023, occur the redemption of judicial deposit that we lost the discussion about the non-incidence of a tax labor, therefore this was converted into income for the Union and consequently reversed the labor contingency related to this deposit.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

18. Provision for contingencies (continued)

Below it is demonstrated the movements of the provision for contingencies in the year ended December 31, 2023:

On December 31, 2021	41,563
Accrual	37,276
Settlement	(24,234)
Interest	5,998
On December 31, 2022	<u>60,603</u>
Accrual	69,916
Settlement	(39,371)
Interest	6,071
On December 31, 2023	<u>97,219</u>

The PagSeguro Group is party to tax, civil and labor lawsuits involving risks classified as possible losses, for which no provision was recognized as of December 31, 2023, totaling R\$760,947 (December 31, 2022 - R\$635,515). The main tax and labor lawsuit are disclosed below:

On October 15, 2021, Pagseguro Brazil was assessed by the Brazilian Internal Revenue Service ("IRS") for not collecting tax on financial operation ("IOF") on intercompany loans. IOF is applicable over credit transactions of any nature, including intercompany loans. The amount of this assessment was R\$293,264 (R\$266,957 in December 2022).

The Company has presented its defense, clarifying that the transactions carried out among PagSeguro Group and its subsidiaries are not credit transactions. The Group has a centralized cash pool and, according to the law, this kind of intercompany transaction is not taxable by IOF.

Additionally, the Company has one contingency related to labor taxes in the amount of R\$190,709 (R\$133,286 in December 2022).

19. Borrowings

In November 2021, the PagSeguro Group entered into a US\$180 million borrowing agreement with maturity one year from the execution date and payment in a single installment at the due date. At that moment the agreement was signed, the foreign exchange rate was R\$ 5.6227 per US dollar amounting in R\$1,012,086. The Company entered into derivative financial instruments ("Swaps"), with the specific objective of protecting borrowing from fluctuations arising from the exchange rate variation. In November 2022, the PagSeguro Group liquidated its borrowing in the total amount of R\$1,143,026 considering principal, interests, taxes and the total settlement of the financial instruments.

In February 2022, the Group entered into a R\$250 million borrowing agreement with maturity in three months from the execution date, the interest rate was 112% of CDI and the payment occurred in a single installment as the due date. In May 2022, the borrowing agreement was re-signed with new maturity for an additional three months and was settled in August 2022 in the

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

19. Borrowings (continued)

principal amount of R\$250 million and the interests of R\$7,015 were paid in May 2022 and R\$8,322 in August 2022.

In March 2023, the PagSeguro Group entered into a US\$38.4 million borrowing agreement with maturity one year from the execution date and payment in two half-year installments. On the date the agreement was signed, the foreign exchange rate was R\$ 5.2149 per US dollar amounting to R\$200,000. The Company entered into derivative financial instruments (“Swaps”), with the specific objective of protecting the borrowing from fluctuations arising from exchange rate variation. The final remuneration, considering all the costs of the operation, is equivalent to 111.0% of the CDI. The Company has R\$16,671 of interest accumulated and the first installment of R\$6,340 was liquidated in September 2023.

In April 2023, the Group entered into a R\$100 million borrowing agreement with maturity three month from the execution date, the payment will be in a single installment at the due date and the interest rate was 107.5% of the CDI. In July 2023, the PagSeguro Group liquidated this borrowing in the total amount of R\$103,273 considering principal, interests and taxes.

In December 2023 the Company recorded the effects of the swap derivatives in the liabilities on the amount of R\$17,631, basically represented by the different foreign exchange rates at the time of entering into the borrowing agreement and December 2023 plus interest. More details of financial instruments in note 27.

The table below demonstrates the changes in the borrowings:

December 31, 2023	
On December 31, 2021	1,005,787
Additions	250,000
Interest	175,338
Payment	(1,270,075)
Financial Instruments	(161,050)
On December 31, 2022	-
Additions	300,000
Interest	16,671
Payment	(109,613)
Financial Instruments	(17,631)
On December 31, 2023	189,427

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

20. Income tax and social contribution

a) Reconciliation of the deferred income tax and social contribution

	Tax losses	Tax credit	Technological innovation (i)	Other temporary differences -assets (ii)	Other temporary differences -liability (iii)	Total
Deferred tax						
On December 31, 2021	70,783	(187)	(427,239)	353,620	(1,267,975)	(1,270,998)
Included in the statement of income	(3,205)	(2,061)	(175,297)	190,982	(204,238)	(193,819)
On December 31, 2022	67,578	(2,248)	(602,536)	544,602	(1,472,213)	(1,464,817)
Included in the statement of income	(13,342)	(2,248)	(128,995)	(59,858)	(57,129)	(261,573)
Other (iv)	-	-	1,663	-	(8,505)	(6,841)
On December 31, 2023	54,236	4,496	(729,868)	484,744	(1,537,847)	(1,733,231)
Deferred tax asset						98,856
Deferred tax liability						1,832,087

(i) Refers to the benefit granted by the Technological Innovation Law (Lei do Bem), which reduces the tax charges on the capitalized amount intangible assets.

(ii) The main other assets temporary difference refers to expected credit losses (Note 8) and taxes and contributions (Note 17).

(iii) The main other liability temporary difference refers to gain on the ownership of FIDC quotas, that will be realized only in the redemption of such quotas.

(iv) The increase in other liability temporary difference refers mainly to deferred taxes recognized on allocations by the Netpos acquisition. More details in note 11.

Deferred tax assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. Tax losses do not have expiration date.

b) Reconciliation of the income tax and social contribution expense

PagSeguro Group computed income tax and social contribution under the taxable income method. The following is a reconciliation of the difference between the actual income tax and social contribution expense and the expense computed by applying the Brazilian federal statutory rate for the years ended December 31, 2023, 2022 and 2021:

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Profit for the period before taxes	2,017,107	1,759,316	1,488,027
Statutory rate	34%	34%	34%
Expected income tax and social contribution	(685,816)	(598,167)	(505,929)
Income tax and social contribution effect on:			
Permanent additions (exclusions)			
Gifts	(1,826)	(3,806)	704
R&D and technological innovation benefit (i)	193,405	255,354	187,207
Taxation of income abroad and different tax rates (ii)	123,594	114,229	(800)
Unrecorded deferred taxes	(9,449)	(17,570)	(1,100)
Other additions (exclusions)	16,669	(4,588)	(1,825)
Income tax and social contribution expense	(363,423)	(254,548)	(321,743)
Effective rate	18%	14%	22%
Income tax and social contribution - current	(101,846)	(60,718)	(119,801)
Income tax and social contribution - deferred	(261,577)	(193,830)	(201,942)

(i) Refers to the benefit granted by the Technological Innovation Law (*Lei do Bem*), which reduces the income tax charges, based on the amount invested by the PagSeguro Group on specific intangible assets, see note 13.

(ii) Some entities and investment funds adopt different taxation regimes according to the applicable rules in their jurisdictions, which differs from the Brazilian tax rate of 34% applied for the purpose of this note.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

21. Equity

a) Share capital

On December 31, 2023, share capital is represented by 329,608,226 common shares, par value of US\$0.000025. Share capital is composed of the following shares for the year ended December 31, 2023:

December 31, 2021 shares outstanding	329,608,226
Treasury shares	3,642,899
Long-Term Incentive Plan	637,728
Repurchase of common shares	(4,280,627)
December 31, 2022 shares outstanding	329,608,226
Treasury shares	8,407,818
Long-Term Incentive Plan	1,288,144
Repurchase of common shares	(9,695,962)
December 31, 2023 shares outstanding	329,608,226

b) Capital reserve

The capital reserve can only be used to increase capital, offset losses, redeem, reimburse, or purchase shares or pay cumulative dividends on preferred shares. For the years ended December 31, 2023 and 2022, the Company has not recognize any capital reserve movement, as all the LTIP and LTIP goals shares were delivered with treasury. For the year ended December 31, 2021, the Company recognize LTIP capital movement by issuing new shares of R\$138,665.

c) Share based long-term incentive plan (LTIP and LTIP goals)

Under the terms of the LTIP, upon completion of the IPO, the vested portion of each beneficiary's LTIP rights was converted into Class A common shares of PagSeguro Digital at the IPO price (US\$21.50) which is the assessed fair value at the grant date. As a result, the beneficiaries of the LTIP received a total of 1,823,727 new Class A common shares upon completion of the IPO. The unvested portions of each beneficiary's LTIP rights will be settled on each future annual vesting date in shares.

This arrangement is classified as equity settled. For the year ended December 31, 2023, the Company recognized in equity, costs related to the LTIP and LTIP Goals in the total amount of R\$144,617 (R\$127,389 and R\$305,408 for the years ended December 31, 2022 and 2021, respectively). On December 31, 2023, the amount of R\$73,881 (R\$42,791 for the year ended December 31, 2022) was accounted for LTIP and LTIP Goals social charges, including withholding income tax (Note 16).

The maximum number of common shares that can be delivered to beneficiaries under the LTIP and LTIP Goals may not exceed 3% and 1% per year, respectively of the Company's issued share capital at any time. For the year ended December 31, 2023, total shares issued were 1,288,114 (637,728 and 758,024 for the years ended December 31, 2022 and 2021, respectively) and representing 0.4% of total shares (0.2% for the years ended December 31, 2022 and 2021), additionally total shares granted were 3,158,688 representing 1.0% of total shares.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

21. Equity (continued)

d) OCI and equity valuation adjustments

The Company recognizes in this account the accumulated effect of the foreign exchange variation resulting from the conversion of the financial statements of the foreign subsidiary BCPS, Pagseguro Colombia, Pagseguro Chile, Pagseguro Peru and Pagseguro Mexico which amounted to a gain of R\$56 for the year ended on December 31, 2023 (loss of R\$677 for the year ended December 31, 2022 and loss of R\$117 for the year ended December 31, 2021). This accumulated effect will be reverted to the result of the year as gain or loss only in case of disposal or write-off of the investment.

The financial investments mentioned in note 7 were classified at fair value through other comprehensive income. Unrealized accumulated loss on LFTs for the year ended December 31, 2023 totaled R\$699 (loss of R\$558, R\$107 and gain of R\$271 for the years ended December 31, 2023, 2022 and 2021, respectively).

The derivative financial instruments mentioned in note 19 were classified at fair value through other comprehensive income. Unrealized fair value adjustment gain on SWAPs for the year ended December 31, 2023, totaled R\$167 (R\$0 for the year ended December 31, 2022)

As part of transactions completed in prior years, the Company also recognized in this account the difference between the book value and the amounts paid in the acquisitions of additional interests from the non-controlling shareholders of the subsidiary represented by the accumulated amount of R\$22,372 (R\$22,372 as of December 31, 2022 and 2021).

e) Treasury shares

On October 30, 2018, PagSeguro Digital's board of directors authorized a share repurchase program, under which the PagSeguro Group may repurchase up to US\$250 million in outstanding Class A common shares traded on the New York Stock Exchange (NYSE). The Company's management is responsible for defining the timing and the number of shares to be acquired, within authorized limits. Treasury shares are composed of the following shares for the years ended December 31, 2023 and 2022:

	Shares	Amount	Average Price (US\$)
Repurchase shares			
December 31, 2021 treasury shares	1,688,701	285,011	30,23
Repurchase of common shares	4,280,627	291,445	12,50
Long-Term Incentive Plan	(637,728)	(101,102)	28,16
December 31, 2022 treasury shares	5,331,600	475,354	16,00
Repurchase of common shares	9,695,962	399,408	8,22
Long-Term Incentive Plan	(1,288,144)	(114,444)	16,00
December 31, 2023 treasury shares	13,739,418	760,318	10,51

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

22. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing net income attributable to equity holders of PagSeguro Digital by the weighted average number of common shares issued and outstanding during years ended December 31, 2023, 2022 and 2021:

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Profit attributable to shareholders of the Company	1,653,684	1,504,768	1,166,102
Weighted average number of outstanding common shares (thousands)	321,806,480	327,110,295	330,310,786
Basic earnings per share - R\$	5.1387	4.6002	3.5303

b) Diluted

Diluted earnings per share is calculated by dividing net income attributable to equity holders of PagSeguro Digital by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares. The share in the LTIP and LTIP Goals are the only shares with potential dilutive effect. In this case, a calculation is done to determine the number of shares that could have been acquired at fair value.

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Profit used to determine diluted earnings per share	1,653,684	1,504,768	1,166,102
Weighted average number of outstanding common shares (thousands)	321,806,480	327,110,295	330,310,786
Weighted average number of shares that would have been issued at average market price	2,149,097	2,124,398	1,864,038
Weighted average number of common shares for diluted earnings per share (thousands)	323,955,577	329,234,693	332,174,824
	5.1047	4.5705	3.5105

The weighted average number of outstanding common shares decreased due to the repurchase of common shares (treasury shares).

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

23. Total revenue and income

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Gross amount from transaction activities and other services (i)	10,241,654	10,047,654	7,574,728
Gross financial amount (ii)	6,858,109	6,438,774	3,587,823
Gross other financial amount (iii)	402,394	288,333	162,944
Total gross amount	17,502,157	16,774,761	11,312,042
Deductions from gross amount from transactions activities and other services (iv)	(1,214,412)	(1,141,248)	(789,922)
Deductions from gross financial amount (v)	(205,063)	(186,039)	(73,398)
Deductions from gross other financial amount (vi)	(134,281)	(112,560)	(13,453)
Total deductions from gross amount	(1,553,756)	(1,439,847)	(876,773)
Total revenue and income	15,948,401	15,334,914	10,448,722

(i) Includes mainly intermediation fee, membership fee and credit operations revenues.

(ii) Includes income from early payment of notes payable to third parties.

(iii) Includes (a) interest of financial investments and (b) gain on exchange variation.

(iv) Deductions consist of transactions taxes.

(v) Deductions consist of taxes on financial income.

(vi) Deductions consist of taxes on other financial income.

24. Expenses by nature

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Transactions costs (i)	(5,956,108)	(5,566,927)	(4,321,135)
Marketing and advertising	(580,667)	(717,732)	(791,134)
Personnel expenses (ii)	(1,122,128)	(1,032,732)	(1,074,249)
Financial expenses (iii)	(3,269,556)	(3,151,552)	(790,635)
Total Losses (iv)	(536,048)	(984,487)	(664,268)
Depreciation and amortization (vi)	(1,355,653)	(1,130,690)	(768,593)
Other (v)	(1,111,134)	(991,478)	(550,681)
	(13,931,294)	(13,575,598)	(8,960,695)
Classified as:			
Cost of services	(8,132,580)	(7,470,895)	(5,775,895)
Selling expenses	(1,429,816)	(1,946,075)	(1,523,908)
Administrative expenses	(732,689)	(668,679)	(877,559)
Financial expenses	(3,269,556)	(3,151,552)	(790,635)
Other income (expenses), net	(366,653)	(338,397)	7,302
	(13,931,294)	(13,575,598)	(8,960,695)

(i) The increase is mainly represented by: (i) costs related to interchange fees of card issuers in the amount of R\$4,805,474 for year ended December 31, 2023 (R\$4,505,290 and R\$3,043,591 for years ended December 31, 2022 and 2021, respectively), card scheme fees in the amount of R\$969,193 for year ended December 31, 2023 (R\$882,091 and R\$653,224 for years ended December 31, 2022 and 2021, respectively).

(ii) Personnel expenses includes compensation expenses in the amount of R\$109,901 related to the LTIP and LTIP goals for the year ended December 31, 2023 (R\$79,447 and R\$370,629 for the years ended December 31, 2022 and December 31, 2021, respectively). Personnel expenses in 2023, include capitalization of LTIP and LTIP goals in the amount of R\$89,223 for the year ended December 31, 2023 (R\$56,698 and R\$0 for the years ended December 31, 2022 and December 31, 2021).

(iii) Relates to: (i) early collection of receivables, which amount to R\$953,509 in the year ended December 31, 2023 (R\$1,233,045 and R\$426,992 for the years ended December 31, 2022 and 2021, respectively), (ii) interest of deposits and banking accounts which amounted to R\$2,060,109 in the year ended December 31, 2023 (R\$1,573,293 and R\$1,278,806 in the years ended December 31, 2022 and 2021, respectively).

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

24. Expenses by nature (continued)

- (iv) Total losses refer to amounts recognized during the year related to: (i) card processing operations (acquiring and issuing), (ii) losses on digital account in the amount of R\$393,869 in the year ended December 31, 2023 (R\$430,895 and R\$386,143 for the years ended December 31, 2022 and 2021, respectively), (iii) a loss occurred in third quarter of 2023 in the amount of R\$32,872 in connection with unauthorized transactions exploiting a legacy functionality in the Company's system. The conditions allowing for the unauthorized transactions were ceased and were not related to cyber risks or data-related matters. Efforts to recover related amounts are going and (iv) Total losses include provision for delinquency rate of credit portfolio in the amount of R\$109,307 in the year ended December 31, 2023 (R\$553,592 and R\$278,125 for the years ended December 31, 2022 and 2021, respectively), as further described in note 26.
- (v) For the year ended December 31, 2023, the increase is impacted by R\$246,770 (R\$199,868 in the year ended December 31, 2022) related to provision of POS Devices, as described in note 12. In September 2023, in accordance to the final purchase price allocation ("PPA") completed on October 20, 2023, which include the recognition of capital gains of customer portfolio R\$152, non-compete agreement R\$128 and software R\$2,468.
- (vi) Depreciation and amortization amounts incurred in the year are segregated between costs and expenses as presented below:

	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Depreciation			
Cost of sales and services (i)	(715,293)	(658,275)	(464,411)
Selling expenses	(198)	(172)	(89)
Administrative expenses	(28,331)	(26,787)	(23,439)
	(743,822)	(685,234)	(487,939)
Amortization			
Cost of sales and services	(642,017)	(464,106)	(295,218)
Administrative expenses (ii)	(27,000)	(23,810)	(21,484)
	(669,017)	(487,916)	(316,702)
PIS and COFINS credits (iii)	57,186	42,460	36,048
Depreciation and amortization expense, net	(1,355,653)	(1,130,690)	(768,593)

- (i) The depreciation of POS for the year ended December 31, 2023, amounted to R\$ 685,685 (R\$640,798 and R\$ 448,385 for the years ended December 31, 2022 and 2021, respectively).
- (ii) Included in this amount are LTIP amortizations in the amount of R\$46,356 for the year ended December 31, 2023 (compared to R\$31,903 and R\$0 for the years ended December 31, 2022 and 2021, respectively). Additionally, has assets amortizations of acquired companies in the amount of R\$19,778 for the year ended December 31, 2023 (compared to R\$18,466 and R\$16,455 for the years ended December 31, 2022 and December 31, 2021, respectively).
- (iii) PagSeguro Brazil has a tax benefit on PIS and COFINS that allows it to reduce the depreciation and amortization over some operational expenses when incurred. This tax benefit is recognized directly as a reduction of depreciation and amortization expense.

25. Financial instruments by category

The PagSeguro Group estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies for each situation.

The interpretation of market data, as regards the choice of methodologies, requires considerable judgment and the establishment of estimates to reach an amount considered appropriate for each situation. Therefore, the estimates presented may not necessarily indicate the amounts that could be obtained in the current market. The use of different hypotheses to calculate market value or fair value may have a material impact on the amounts obtained. The assets and liabilities presented in this note were selected based on their relevance.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

25. Financial instruments by category (Continued)

The PagSeguro Group believes that the financial instruments recognized in these consolidated financial statements at their carrying amount are substantially similar to their fair value. However, since they do not have an active market (except for the LFT included in financial investments, which is actively traded in the market), variations could occur in the event the PagSeguro Group were to decide to settle or realize them in advance.

The pagSeguro Group classifies its financial instruments into the following categories:

	December 31, 2023	December 31, 2022
Financial assets		
Amortized cost:		
Cash and cash equivalents	2,899,060	1,829,097
Accounts receivables	42,900,983	36,994,135
Financial investments	1,428,893	-
Other receivables	198,416	180,517
Judicial deposits	50,992	44,855
Receivables from related parties	32,281	-
Investment	-	1,651
Fair value through other comprehensive income		
Financial investments	1,879,689	1,103,299
	49,390,314	40,153,554
Financial Liabilities		
Amortized cost:		
Payables to third parties	21,534,387	18,072,898
Trade payables	513,920	449,102
Trade payables to related parties	476,804	593,906
Deposits	14,546,518	11,995,288
Borrowings	189,427	-
Deferred revenue	146,184	143,528
Other liabilities	262,074	202,797
Fair value through profit or loss		
Deposits	1,641,922	-
Derivative financial instruments	23,314	22,289
Fair value through other comprehensive income		
Derivative financial instruments	17,631	-
	39,352,181	31,479,808

26. Financial risk management

The PagSeguro Group's activities expose it to a variety of financial risks: market risk, fraud risk (chargebacks), credit risk and liquidity risk. The PagSeguro Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the PagSeguro Group's financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. In the Group, market risk comprises interest rate risk and foreign currency risk and other price risk, such as equity price risk.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates arises primarily from financial investments and deposits both subject to variable interest rates, principally the CDI rate. The Group conducted a sensitivity analysis of the interest rate risks to which the financial instruments are exposed as of December 31, 2023. For this analysis, the Group adopted as a probable scenario for 2023 interest rates of 8.90% for the CDI. As a result, financial income (with respect to financial investments) and financial expense (with respect to certificate of deposit, corporate securities, bank accounts and interbank deposits) would be impacted as follows:

Transaction	Interest rate risk	Book Value	Scenario with maintaining of CDI (11.15%)	Probable scenario with decrease to 8.90%
Short-term investment	100% of CDI	859,108	95,791	76,461
Financial investments	100% of CDI	3,308,583	368,907	294,464
Certificate of Deposit	110% of CDI	13,062,033	(1,602,058)	(1,278,773)
Certificate of Deposit – related party	106% of CDI	420,415	(49,689)	(39,662)
Interbank deposits	111% of CDI	3,126,406	(386,940)	(308,858)
Banking accounts	72% of CDI	9,316,714	(747,946)	(597,015)
Borrowings	111% of CDI	189,427	(23,444)	(18,713)
Total			(2,345,379)	(1,872,096)

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company's risk is mainly related to POS purchases, Pagseguro Tecnologia, BCPS, PSGP Mexico, Pagseguro Colombia, Pagseguro Chile and Pagseguro Peru that have revenues in other currencies and cash and cash equivalents maintained in other countries foreign currency exposure generated in companies like Pagseguro Colombia, Pagseguro Chile, are being hedged through a non-deliverable forward.

Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment. As of December 31, 2023, and December 31, 2022, the exposure to equity price from such investments was not material.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management (Continued)

Fraud risk (chargeback)

The PagSeguro Group's sales transactions are susceptible to potentially fraudulent or improper sales and it uses the following two processes to control the fraud risk:

(i) The first process consists of monitoring, on a real time basis, the transactions carried out with credit and debit cards and payment slips, through an anti-fraud system. This process approves or rejects suspicious transactions at the time of the authorization, based on statistical models that are revised on a periodic basis.

(ii) The second process detects chargebacks and disputes not identified by the first process. This is a supplemental process and increases the PagSeguro Group's ability to avoid new frauds. PagSeguro Group's expenses with chargeback are disclosed in note 24.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivable) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments such as loans and credit card receivables with the Company's customers.

Credit risk is managed on a group basis and for its accounts receivable is limited to the possibility of default by: (a) the card issuers, which have the obligation of transferring to the credit and debit card labels the fees charged for the transactions carried out by their card holders, (b) the acquirers, which are used by the PagSeguro Group to approve transactions with the issuers and (c) analyses for the customers background to provide access to credit portfolio.

In order to mitigate this risk, PagSeguro Brazil has established a Credit Risk Committee, whose responsibility is to assess the level of risk of each of the card issuers served by PagSeguro Group, classifying them into three groups:

(i) Card issuers with a low level of risk, with credit ratings assigned by FITCH, S&P and Moody's, which do not require additional monitoring.

(ii) Card issuers with a medium level of risk, which are also monitored in accordance with the financial metrics and ratios;

(iii) Card issuers with a high level of risk, which are assessed by the committee at monthly meetings.

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management (Continued)

The PagSeguro Group has a rating process for loans and credit, based on statistical application models (in the early stages of customer relationships) and behavior scoring (used for customers who already have a relationship history). A process for designing, calibrating, and implementing policies and guidelines for granting credit and calibrating collection rules.

A process for monitoring the portfolio's risk profile, with a prospective view, which generates early warning feedbacks to the credit granting policies and risk classification models in a timely manner.

Liquidity risk

The PagSeguro Group manages liquidity risk by maintaining reserves, bank and credit lines in order to obtain borrowings, when deemed appropriate. The PagSeguro Group continuously monitors actual and projected cash flows and matches the maturity profile of its financial assets and liabilities in order to ensure that the PagSeguro Group has enough funds to honor its obligations to third parties and meet its operational needs.

The PagSeguro Group invests surplus cash in interest bearings financial investments, choosing instruments with appropriate maturity or enough liquidity to provide adequate margin as determined by the forecasts. On December 31, 2023, PagSeguro Group held cash and cash equivalents of R\$2,899,060 (R\$1,829,097 on December 31, 2022).

The table below shows the PagSeguro Group's non-derivative financial liabilities divided into the relevant maturity group based on the remaining period from the balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Due within 30 days	Due within 31 to 120 days	Due within 121 to 180 days	Due within 181 to 360 days	Due to 361 days or more days
On December 31, 2023					
Payables to third parties	15,763,153	2,636,667	573,115	2,375,592	185,861
Trade payables	507,878	5,830	77	135	-
Trade payables to related parties	-	56,390	-	86,450	383,687
Borrowings	-	195,603	-	-	-
Deposits	1,638,743	6,284,683	2,649,511	1,253,959	5,448,062
On December 31, 2022					
Payables to third parties	13,354,285	1,717,388	856,011	2,060,455	84,759
Trade payables	397,335	50,975	309	482	-
Trade payables to related parties	-	62,559	30,390	506,671	-
Deposits	876,415	3,384,194	2,075,859	4,521,112	2,198,340

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

26. Financial risk management (Continued)

Social, environmental and climate risks

Social, environmental and climate risks are the possibility of losses due to exposure to events of social, environmental and/or climate origin related to the activities carried out by the Company. Management evaluated the social, environmental and climate factors in which its businesses are inserted and considers them to have a low impact on the creation of shared value in the short, medium and long term.

Despite this, in order to mitigate social, environmental and climate risks, actions are carried out to analyze processes, risks and controls, follow up on new rules related to the topic and record occurrences in internal systems. In addition to identification, the stages of prioritization, risk response, mitigation, monitoring and reporting of assessed risks complement the management of this risk at the Company.

27. Derivative Financial Instruments designated to Hedge Accounting

The Group trades derivative financial instruments (SWAPs) to manage its overall exposures (inflation index and interest rate).

i) Cash flow hedge

In March 2023, the PagSeguro Group entered in a US\$38.4 million borrowing agreement with maturity in one-year from the execution date and the payment will occur in a single instalment as the due date. In the same operation, the Company entered into a swap, with the specific objective of protecting said borrowing from fluctuations arising from exchange variation, changing the risk to CDI. All the amount is covered with the derivative and the same due date is applied. Below is the composition of the derivative financial instruments portfolio by type of instrument, asset value, liability value and fair value, financial instrument and MTM registered in OCI:

Risk factor	Financial Instruments - notional	Liabilities	Financial Instrument	Fair Value	MTM
Swap of currency	207,608	189,427	18,181	17,631	550

ii) Fair value hedge

In the year ended December 2023, the PagSeguro Group issued certificate of deposits with maturity in one-year from the execution date and interest rates correlated to the IPCA (Brazilian inflation rates) and interest fixed rates. For these certificate of deposits, the Company entered into swaps with the specific objective of protecting said deposits from fluctuations arising from inflation and high interest rates, changing them for CDI rates. All the amount, which includes principal and interest, are covered and the same due dates are applied. Below is the composition of the derivative financial

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

instruments portfolio by type of instrument, liability value and fair value, financial instrument and MTM registered in profit and loss:

27. Derivative Financial Instruments designated to Hedge Accounting (Continued)

December 31, 2023					
	Notional Liability	Liabilities		MTM (a)	Profit and Loss (a)+(b)
		Fair value			
IPCA CDB	698,917	697,060		(1,858)	
Fixed rated CDB	951,777	944,862		(6,915)	
Total	1,650,694	1,641,922		(8,773)	
	Notional SWAP	SWAP	MTM total (b)		
IPCA CDB	678,597	(675,246)	2,440		582
Fixed rated CDB	951,209	(943,227)	7,566		651
Total	1,629,806	(1,618,473)	10,006		1,233

December 31, 2022					
	Notional Liability	Liabilities		MTM (a)	Profit and Loss (a)+(b)
		Fair value			
IPCA CDB	708,454	710,475		2,021	
Fixed rated CDB	1,368,325	1,370,304		1,980	
Total	2,076,779	2,080,779		4,001	
	Notional SWAP	SWAP	MTM total (b)		
IPCA CDB	(728,142)	(733,026)	(2,109)		(89)
Fixed rated CDB	(1,374,472)	(1,378,916)	(2,149)		(168)
Total	(2,102,614)	(2,111,942)	(4,258)		(257)

The structure of risk limits is extended to the risk factor level, where specific limits aim at improving the monitoring and understanding processes, as well as avoiding concentration of these risks. Additionally, as the main financial assets and financial liabilities of the Company are measured by CDI, the PagSeguro Group's strategy is to change any other risk factors to CDI. The PagSeguro Group undertakes risk management through the economic relationship between hedge instruments and hedged item, in which it is expected that these instruments will move in opposite directions, in the same proportions, with the aim of neutralizing the risk factors. The Company performs the hedging account effectiveness as each reporting date test and for December 31, 2023, and December 31, 2022, this test was effective.

28. Non-cash Transactions

	For the year ended December 31,		
	2023	2022	2021
Non-cash investing activities			
Property and equipment acquired through lease	55,975	8,097	15,016
MTM of financial investments	(558)	(107)	271

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

29. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. A three-level hierarchy is used to measure fair value, as shown below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the assets and liabilities that are not based on observable market data (that is, unobservable inputs).

The PagSeguro Group believes that the financial instruments recognized in these consolidated financial statements at their carrying amount are substantially similar to its fair value. Regarding financial assets, they are comprised by accounts receivable from credit/debit card issuers and acquirers originated from transactions through PagSeguro Group payment platform comprised of transactions approved by large financial institutions in the normal course of business. The financial investments are represented by government bonds with quoted prices in an active market and recognized in the balance sheet based on its fair value.

Financial liabilities are mostly represented by deposits and short-term payables to merchants which are paid in accordance with the contract set out with the merchant and other short-term payables to service providers in the normal course of business and, as such, also approximate from their fair values. There were no transfers between Levels 1, 2 and 3 in 2023.

The following table provides the fair value measurement hierarchy of PagSeguro Group's financial assets and financial liabilities as of December 31, 2023:

PagSeguro Digital Ltd.

Notes to the consolidated financial statements

As of December 31, 2023

(All amounts in thousands of reais unless otherwise stated)

29. Fair value measurement (Continued)

	December 31, 2023		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets			
Cash and cash equivalents	654,363	2,244,697	-
Financial investments	3,308,583	-	-
Accounts receivable	-	42,900,983	-
Other receivables	-	198,416	-
Judicial deposits	-	50,992	-
Receivables from related parties	-	32,281	-
Investment	-	-	-
Financial liabilities			
Payables to third parties	-	21,534,388	-
Trade payables	-	513,920	-
Trade payables to related parties	-	476,804	-
Borrowings	-	189,427	-
Deposits	-	16,188,440	-
Derivative Financial Instruments	-	40,945	-
Deferred revenue	-	146,185	-
Other liabilities	-	262,074	-
	December 31, 2022		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets			
Cash and cash equivalents	404,468	1,424,629	-
Financial investments	1,103,299	-	-
Accounts receivable	-	36,994,135	-
Other receivables	-	180,517	-
Judicial deposits	-	44,858	-
Investment	-	-	1,651
Financial liabilities			
Payables to third parties	-	18,072,898	-
Trade payables	-	449,102	-
Trade payables to related parties	-	593,906	-
Deposits	-	11,995,288	-
Derivative Financial Instruments	-	22,289	-
Deferred revenue	-	143,528	-
Other liabilities	-	202,797	-