

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

December 31, 2020

with independent auditor's report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2020

Contents

Independent auditors' report.....	1
Consolidated balance sheets.....	9
Consolidated statements of income	11
Consolidated statements of comprehensive income	12
Statements of changes in shareholders' equity – parent company.....	13
Consolidated statements of cash flows.....	14
Consolidated statements of value added	15
Notes to the consolidated financial statements	16



São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo - SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on individual consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders and Management of
Banco BTG Pactual S.A.

Opinion

We have audited the consolidated financial statements of Banco BTG Pactual S.A. (Bank) which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Banco BTG Pactual S.A. as of December 31, 2020 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, including the Resolution nº 4.818/20 of the National Monetary Council (CMN) and the Resolution nº 2/20 of the Central Bank of Brazil (BACEN).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank in accordance with the relevant ethical principles of the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of matters

Equity pickup in foreign subsidiary

As mentioned in Note 13 to the consolidated financial statements, the Bank holds investments in EFG International (“EFG” or “subsidiary”) but has no timely access to the financial information of this subsidiary before such financial statements is released. As such, equity pickup is recognized after the period allowed by the rules of the Central Bank of Brazil, and any adjustment recorded by EFG will only be considered in a later period by the Bank. Our opinion is not qualified in respect of this matter.

Tax credits recorded in jointly-controlled subsidiary

As mentioned in Note 13 to the consolidated financial statements, at December 31, 2020, jointly-controlled subsidiary Banco PAN S.A. records income and social contribution tax credits totaling R\$ 3.5 billion, substantially recognized based on study of the current and future scenarios approved by the subsidiary’s Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A. Our conclusion is not qualified in respect of this matter.

Restatement of corresponding figures

We draw attention to Note 3 to the consolidated financial statements, which describes that, due to correction of an error related to the realization of foreign exchange difference on investments abroad and the result of interests in subsidiaries, the amounts corresponding to December 31 2019, presented for comparison purposes, have been adjusted and are restated as provided in NBC TG 23, or CPC 23 (Accounting Practices, Changes in Estimates and Correction of Errors). Our conclusion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on accompanying consolidated financial statements.



Fair value measurement of complex and illiquid financial instruments and derivatives

The Bank has complex and illiquid financial instruments in its investment portfolio, which are priced and recorded at fair value. The fair value measurement of these instruments requires that management use pricing models and subjective assumptions, such as expected cash flow, risk free rate, credit risk spread, among other inputs. Due to the nature of these instruments and the complexity and subjectivity involved in the valuation methodologies, we considered the measurement of these complex and illiquid financial instruments a key audit matter.

How our audit addressed the matter

Our audit procedures included, among others, the involvement of specialists in illiquid financial instruments pricing to assist us in the evaluation of the pricing methodologies and the assumptions considered by management in measuring the fair value of these instruments. In addition, we evaluated the adequacy of the disclosures in Notes 8 and 9 to the Bank's consolidated financial statements.

Based on the evidence obtained from the procedures performed on these complex and illiquid financial instruments and derivatives, which were consistent with management evaluation, we considered that the criteria and assumptions adopted by management on the fair value measurement of these complex and illiquid financial instruments and derivatives were adequate in the context of the consolidated financial statements taken as a whole.

Allowance for expected losses associated with credit risk

The Bank has a corporate credit portfolio, for which management uses its judgment in determining the allowance for expected losses associated with credit risk in accordance with the CMN Resolution no. 2682/1999. We considered this a key audit matter due to the subjectivity involved in determining the recoverable amount of these receivables and, as such, allowance for loan losses, per borrower or economic group, which involves, among other factors, financial and economic analysis of the counterparties, assessment of underlying guarantees, and credit renegotiations.

How our audit addressed the matter

Our audit procedures included, among others, the understanding of the process established by management, and tests of details related to: (i) the totality and integrity of the database; (ii) determination of levels of provision per borrower and subsequently the rating, through models and assumptions adopted by management, based on data and market assumptions, when available; (iii) measurement of guarantees; and (iv) monitoring of renegotiated transactions. In addition, we evaluated the adequacy of Bank disclosures in Note 10 to the consolidated financial statements.



Based on the evidence obtained from the procedures performed on allowance for expected losses associated with credit risk, which is consistent with management evaluation, we considered that the criteria and assumptions used by management for measurement and accounting are adequate in the context of the consolidated financial statements taken as a whole.

Related-party transactions

The Bank is part of an organizational structure that contains several legal entities, in Brazil and abroad. The Bank carries out transactions with these related parties in the course of its operations. Due to the number of related parties, the volume and inherent risk associated with these transactions, we considered these transactions a key audit matter.

How our audit addressed the matter

Our audit procedures included, among others, obtaining an understanding of the Bank's policies and procedures for identifying and mapping transactions with related parties, as well as obtaining formal representation by management with respect to the identification of all parties related with the Bank. We tested, on a sample basis, the transactions with related parties and the eliminations of these transactions' effects, when applicable, in the Bank's consolidated financial statements. In addition, we evaluated adequacy of the Bank's disclosures in Note 24 to the consolidated financial statements.

Based on the evidence obtained from the procedures performed on related-party transactions, which were consistent with management evaluation, we considered that management policies and criteria in identifying and recognizing these transactions were adequate in the context of the consolidated financial statements taken as a whole.

Information technology (IT) environment

Because of their volume and complexity, the operations of the Bank are highly dependent on the proper functioning of IT structures and systems. As such, we considered the IT environment a key audit matters.

How our audit addressed the matter

Our audit procedures included, among others, the involvement of IT experts in conducting tests of information technology general controls for change management processes and access to the systems that we deemed relevant to the preparation of the consolidated financial statements.

Our tests over design and operation of the information technology general controls considered relevant to the audit provided support to the planned nature, timing and extent of our substantive audit procedures.



Other matters

Presentation of individual financial statements

The Bank prepared a full set of individual financial statements for the year then ended December 31, 2020 in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, on which we issued an unqualified review report containing the same emphasis paragraphs described above, dated February 09, 2021. Our conclusion is not qualified in respect of this matter.

Statement of value added

The consolidated statement of value added (SVA) for the year then ended at December 31, 2020, prepared under the responsibility of Bank management, and presented as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, was subject to the same audit procedures performed in conjunction with the audit of the consolidated financial statements of the Bank. For the purposes of forming our opinion, we evaluated whether this statement was reconciled with the consolidated financial statements and accounting records, as applicable, and whether their layout and content were in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statements of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and consistently with the consolidated financial statements taken as a whole.

Other information accompanying the consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

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

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



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

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.



- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

São Paulo, February 09, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP034519/O-6


Renata Zanotta Calçada
Partner

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December 31

(In thousands of reais)

	Note	2020	2019
Assets			
Current assets		187,717,707	124,259,836
Cash at banks	6	1,794,059	1,333,793
Financial instruments		156,316,664	84,043,230
Short-term interbank investments	7	51,624,133	26,772,595
Securities	8	70,682,719	43,259,457
Derivative financial instruments	9	5,849,388	2,053,042
Interbank transactions		5,033,771	1,005,015
Loans	10	23,689,197	11,149,602
Allowance for expected losses associated with credit risk	10	(562,544)	(196,481)
Other receivables		28,794,320	38,586,858
Foreign exchange portfolio	11	19,373,261	32,073,641
Income receivable	12	1,385,346	1,084,188
Securities trading and brokerage	11	5,047,647	4,527,679
Sundry	12	3,251,041	1,121,051
Allowance for impairment of assets		(262,975)	(219,701)
Other assets		812,664	295,955
Other assets		701,514	255,635
Prepaid expenses		138,870	120,827
Provision for losses on other assets		(27,720)	(80,507)
Long-term assets		44,278,252	32,566,491
Financial instruments		32,689,303	21,802,847
Long-term interbank investments	7	66,095	172,683
Securities	8	4,432,951	2,155,990
Derivative financial instruments	9	2,378,158	1,567,017
Interbank transactions		155,115	154,843
Loans	10	26,977,410	18,734,862
Allowance for expected losses associated with credit risk	10	(1,320,426)	(982,548)
Other receivables		11,331,309	10,756,583
Foreign exchange portfolio	11	6,029	-
Income receivable	12	9,515	15,333
Sundry	12	4,102,007	5,677,409
Deferred tax assets	18	7,213,758	5,063,841
Other assets		257,640	7,061
Prepaid expenses		257,640	7,061
Permanent assets		12,929,374	7,556,306
Investments		12,470,940	7,287,253
Investments in associates and jointly controlled entities - in Brazil	13	6,343,115	1,983,015
Investments in associates and jointly controlled entities - abroad	13	6,105,557	5,286,877
Other investments		26,800	22,783
Allowance for losses in investments		(4,532)	(5,422)
Property and equipment in use		142,601	78,163
Property in use		4,576	5,797
Other property and equipment in use		445,641	269,055
Accumulated depreciation		(307,616)	(196,689)
Intangible assets	14	315,833	190,890
Other intangible assets		574,053	473,614
Accumulated amortization		(258,220)	(282,724)
Total assets		244,925,333	164,382,633

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December 31

(In thousands of reais)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Liabilities			
Current liabilities		<u>179,301,351</u>	<u>105,581,694</u>
Deposits and financial instruments		<u>146,500,325</u>	<u>64,057,410</u>
Deposits	15	54,996,405	19,251,665
Open market funding	15	59,584,116	34,643,099
Funds from securities issued and accepted	15	24,027,977	5,326,075
Loans and borrowings	15	2,408,422	1,037,566
Derivative financial instruments	9	4,720,378	2,364,776
Subordinated debt	15	763,027	1,434,229
Interbank transactions		<u>69,110</u>	<u>155</u>
Unsettled receipts and payments		69,110	155
Interdependencies transactions		<u>364,016</u>	<u>40,349</u>
Unsettled third party assets		364,016	40,349
Other liabilities		<u>32,367,900</u>	<u>41,483,780</u>
Collection and payments of tax and similar charges		2,429	20,803
Foreign exchange portfolio	11	19,127,129	31,791,034
Social and statutory	16	2,371,534	1,516,506
Tax and social security	16	745,530	747,328
Securities trading and brokerage	11	5,227,307	4,834,929
Sundry	16	4,893,971	2,573,180
Long-term liabilities		<u>38,222,538</u>	<u>36,893,489</u>
Financial instruments		<u>34,763,117</u>	<u>31,648,610</u>
Deposits	15	1,967,929	2,897,044
Open market funding	15	577,779	363,443
Funds from securities issued and accepted	15	18,286,134	17,394,404
Loans and borrowings	15	4,234,785	3,141,337
Derivative financial instruments	9	3,002,961	1,807,044
Subordinated debt	15	2,667,626	2,704,583
Debt instrument eligible to capital	15	4,025,903	3,340,755
Other liabilities		<u>1,501,567</u>	<u>3,429,726</u>
Foreign exchange portfolio	11	14,425	-
Deferred liabilities	18	56,157	72,227
Sundry	16	1,430,985	3,357,499
Provision		<u>1,957,854</u>	<u>1,815,153</u>
Provision for contingent liabilities	17	1,776,483	1,687,195
Provision for guarantees		181,371	127,958
Deferred income		275,494	169,030
Shareholders' equity	19		
Capital		10,013,243	7,392,092
Capital Reserve		652,515	652,515
Other comprehensive income		(87,573)	9,194
Income reserves		16,102,470	13,498,618
Treasury shares		-	(165,784)
Total shareholders' equity of controlling shareholders		<u>26,680,655</u>	<u>21,386,635</u>
Non-controlling interest		445,295	351,785
Total shareholders' equity		<u><u>27,125,950</u></u>	<u><u>21,738,420</u></u>
Total Liabilities and Shareholders' equity		<u><u>244,925,333</u></u>	<u><u>164,382,633</u></u>

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Years ended December 31

(In thousands of reais, except net income per share)

	Note	2020	2019
Financial income		18,694,271	12,111,391
Loans		4,690,158	1,993,714
Securities		7,382,368	6,989,246
Derivative financial instruments		6,573,528	2,874,729
Foreign Exchange		-	174,968
Mandatory investments		48,217	78,734
Financial expenses		(13,288,906)	(7,346,164)
Funding operations		(4,777,122)	(5,464,324)
Borrowing and onlending		(4,462,872)	(1,489,759)
Foreign Exchange		(3,682,752)	-
Allowance for loan losses and other receivables	10	(366,160)	(392,081)
Net financial income		5,405,365	4,765,227
Other operating income (expenses)		582,393	1,203,543
Income from services rendered	20	4,185,130	3,094,567
Personnel expenses		(1,063,118)	(820,424)
Other administrative expenses	23	(1,763,479)	(1,327,572)
Tax charges		(412,704)	(449,000)
Equity earnings of associates and jointly controlled entities	13	(102,533)	777,510
Other operating income	21	902,260	295,516
Other operating expenses	22	(1,163,163)	(367,054)
Provisions expenses		(129,873)	(21,469)
Provision for contingent liabilities		(89,288)	(34,201)
Other		(40,585)	12,732
Operating income		5,857,885	5,947,301
Non-operating (expenses) / income		268,153	31,102
Income before income tax and profit sharing		6,126,038	5,978,403
Income tax and social contribution	18	(958,167)	(1,003,070)
Provision for income tax		(1,488,523)	(306,118)
Provision for social contribution		(1,211,034)	(220,530)
Deferred income tax and social contribution		1,741,390	(476,422)
Statutory profit sharing		(1,285,224)	(1,116,362)
Non-controlling interest		93,735	(30,659)
Net income for the year	19	3,976,382	3,828,312
Net income per share - basic	25	1.49	1.45
Net income per share - diluted	25	1.49	1.46

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

BANCO BTG PACTUAL S.A.

Consolidated statements of comprehensive income

Years ended December 31

(In thousands of reais)

	<u>2020</u>	<u>2019</u>
Net income for the year	3,976,382	3,828,312
Changes in fair value of assets available for sale	(189,165)	13,723
Deferred IR/CSLL on fair value of assets available for sale	90,029	(11,356)
Changes in fair value of associates and jointly controlled	16,450	(60,445)
Currency translation adjustments	(9,009)	(36,970)
Exchange variation of investments	749,521	77,287
Foreign Investment hedge	(754,593)	(76,232)
Total comprehensive income	<u><u>3,879,615</u></u>	<u><u>3,734,319</u></u>

Items presented on Consolidated statements of comprehensive income can subsequently be reclassified to statements of income.

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – parent company

Years ended December 31

(In thousands of reais, except for dividends and interest on equity per share)

	Note	Income reserves					Total	Other comprehensive income	Treasury shares	Retained earnings	Controlling interests	Non-controlling interests	Total
		Capital	Capital reserve	Legal	Unrealized	Statutory							
Balances as at December 31, 2018		7,392,092	652,515	1,245,452	2,672,775	6,852,990	10,771,217	103,187	(128,544)	-	18,790,467	138,671	18,929,138
Own shares acquired		-	-	-	-	-	-	-	(37,240)	-	(37,240)	-	(37,240)
Changes in fair value of assets available for sale		-	-	-	-	-	-	2,367	-	-	2,367	-	2,367
Changes in fair value of associates and jointly controlled		-	-	-	-	-	-	(60,445)	-	-	(60,445)	-	(60,445)
Currency translation adjustments		-	-	-	-	-	-	(36,970)	-	-	(36,970)	-	(36,970)
Exchange variation of investments		-	-	-	-	-	-	77,287	-	-	77,287	-	77,287
Foreign investment hedge		-	-	-	-	-	-	(76,232)	-	-	(76,232)	-	(76,232)
Intermediate interest on equity (R\$0.24 per share)		-	-	-	-	-	-	-	(624,000)	-	(624,000)	-	(624,000)
Previous years adjustments		-	-	-	-	9,624	9,624	-	-	9,624	-	-	9,624
Net income for the year		-	-	-	-	-	-	-	-	3,828,312	3,828,312	(30,659)	3,797,653
Net income allocation		-	-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	187,604	(692,297)	3,168,005	2,663,312	-	(2,663,312)	-	-	-	-
Interest on equity (R\$0.21 per share)	19	-	-	-	-	-	-	-	(541,000)	(541,000)	(541,000)	-	(541,000)
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	243,773	243,773
Balances as at December 31, 2019		<u>7,392,092</u>	<u>652,515</u>	<u>1,433,056</u>	<u>1,980,478</u>	<u>10,030,619</u>	<u>13,444,153</u>	<u>9,194</u>	<u>(165,784)</u>	<u>-</u>	<u>21,332,170</u>	<u>351,785</u>	<u>21,683,955</u>
Capital increase	2	2,650,500	-	-	-	-	-	-	-	-	2,650,500	-	2,650,500
Public offering costs		(29,349)	-	-	-	-	-	-	-	-	(29,349)	-	(29,349)
Own shares acquired	19	-	-	-	-	-	-	-	(92,712)	-	(92,712)	-	(92,712)
Treasury shares cancellation	19	-	-	-	-	(258,496)	(258,496)	-	258,496	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-	(99,136)	-	-	(99,136)	-	(99,136)
Changes in fair value of associates and jointly controlled		-	-	-	-	-	-	16,450	-	-	16,450	-	16,450
Currency translation adjustments		-	-	-	-	-	-	(9,009)	-	-	(9,009)	-	(9,009)
Exchange variation of investments		-	-	-	-	-	-	749,521	-	-	749,521	-	749,521
Foreign investment hedge		-	-	-	-	-	-	(754,593)	-	-	(754,593)	-	(754,593)
Equity pickup adjustment		-	-	-	-	36,431	36,431	-	-	-	36,431	-	36,431
Net income for the year		-	-	-	-	-	-	-	-	3,976,382	3,976,382	93,735	4,070,117
Net income allocation		-	-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	198,819	-	2,681,563	2,880,382	-	(2,880,382)	-	-	-	-
Intermediate interest on equity (R\$0.20 per share)	19	-	-	-	-	-	-	-	(1,096,000)	(1,096,000)	(1,096,000)	-	(1,096,000)
Reduction of non-controlling		-	-	-	-	-	-	-	-	-	-	(225)	(225)
Balances as at December 31, 2020		<u>10,013,243</u>	<u>652,515</u>	<u>1,631,875</u>	<u>1,980,478</u>	<u>12,490,117</u>	<u>16,102,470</u>	<u>(87,573)</u>	<u>-</u>	<u>-</u>	<u>26,680,655</u>	<u>445,295</u>	<u>27,125,950</u>

Reconciliation of net income and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note 19(g).

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Years ended December 31

(In thousands of reais)

	Note	2020	2019
Operating activities			
Net income for the year		3,976,382	3,828,312
Adjustments to net income		153,704	1,527,016
Equity pick up from associates and jointly controlled entities	13	102,533	(777,510)
Interest expense with subordinated debt		1,366,379	1,372,634
Deferred income tax and social contribution	18	(1,741,390)	476,422
Reversal of provision	21	(53,457)	(16,484)
Allowance for loan losses and other receivables	10	366,160	392,081
Allowance for contingent liabilities	17	89,288	34,201
Permanent assets exchange variation		(36,520)	(13,382)
Depreciation and amortization	23	60,711	59,054
Adjusted net income for the year		4,130,086	5,355,328
(Increase)/decrease in operational activities			
Short-term interbank investments		(2,317,508)	11,056,740
Securities and derivative financial instruments		(36,597,493)	(18,067,062)
Loans		(20,444,363)	(9,647,396)
Other receivables and other assets		10,245,370	(17,210,337)
Interbank transactions		(3,960,073)	469,125
Interdependencies transactions		323,667	(34,577)
Other liabilities		(11,574,977)	15,252,543
Deferred income		106,464	39,000
Deposits		34,815,625	1,198,622
Open market funding		25,155,353	(568,444)
Loans and borrowings		2,464,304	(790,707)
Cash provided by / (used in) operating activities		2,346,455	(12,947,165)
Investment activities			
Sale of other investment		(4,907)	5,051
(Acquisition) / sale of equity interests	13	(91,153)	688,024
Dividends and interest on equity received	13	536,346	1,979,422
(Acquisition) / sale of property		(90,199)	(14,353)
(Acquisition) / sale of intangible assets	14	(123,375)	11,165
Cash provided by investment activities		226,712	2,669,309
Financing activities			
Acquisition of treasury shares	19b	(92,712)	(37,240)
Funds from securities issued and accepted		19,593,632	8,324,176
Subordinated debt and debt instruments eligible to equity		(1,389,389)	(2,738,753)
Non-controlling interest		93,510	213,114
Capital increase	2	2,650,500	-
Interest on equity - distributed	19f	(541,000)	(624,000)
Cash provided by financing activities		20,314,541	5,137,297
Increase / (decrease) in cash and cash equivalents		22,887,708	(5,140,559)
Balance of cash and cash equivalents	26		
At the beginning of the year		21,518,691	26,659,250
At the end of the year		44,406,399	21,518,691
Increase / (decrease) in cash and cash equivalents		22,887,708	(5,140,559)
Non-cash transaction		2,819,996	(513,342)
Treasury shares cancellation	19b	258,496	-
Interest on equity	19	(1,096,000)	(541,000)
(Acquisition) / sale of equity interests	13	3,756,636	-
Changes in fair value of assets available for sale		(99,136)	27,658

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Years ended December 31

(In thousands of reais)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Revenues		22,879,401	15,205,958
Financial brokerage		18,694,271	12,111,391
Services rendered	20	4,185,130	3,094,567
Expenses		(13,264,629)	(7,405,238)
Financial brokerage		(12,922,746)	(6,954,083)
Allowance for loan losses and other receivables	10	(366,160)	(392,081)
Other		24,277	(59,074)
Inputs acquired from third parties		(1,737,833)	(1,180,890)
Materials, energy and other		(34,746)	(13,380)
Outsourced services		(1,703,087)	(1,167,510)
Gross value added		7,876,939	6,619,830
Depreciation and amortization	23	(60,711)	(59,054)
Net value added produced by the entity		7,816,228	6,560,776
Value added received through transfer		(102,533)	777,510
Equity in the earnings of associates and jointly controlled entities		(102,533)	777,510
Value added to be distributed		7,713,695	7,338,286
Distribution of value added		7,713,695	7,338,286
Personnel		2,356,503	1,938,915
Direct compensation		2,071,684	1,666,729
Benefits		148,676	175,354
FGTS – government severance pay fund		136,143	96,832
Taxes, fees and contributions		1,370,871	1,452,070
Federal		1,206,797	1,341,639
Municipal		164,074	110,431
Remuneration of third party capital		103,674	88,330
Rent expenses		103,674	88,330
Remuneration of shareholders		3,882,647	3,858,971
Retained earnings		2,880,382	2,663,312
Interest on equity	19	1,096,000	1,165,000
Non-controlling interest		(93,735)	30,659

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

1. Operations

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services related to commercial, including foreign exchange, investment portfolios, credit, financing, leasing, insurance and real estate loans. The Bank is located at Praia de Botafogo, 501 - 5th floor (part) - Torre Corcovado, in the city and state of Rio de Janeiro, and has as main place of business at Av. Brigadeiro Faria Lima, 3477 - 14th floor (part), in the city and state of São Paulo.

Transactions are conducted by a group of institutions fully participating in the financial market, and may be intermediated by other institutions from the BTG Pactual Group. The Bank's controlling shareholder is BTG Pactual Holding Financeira Ltda. ("Holding Financeira"), which is controlled by BTG Pactual G7 Holding S.A. ("G7") through BTG Pactual Holding S.A. ("Holding").

The Bank has units listing at B3 S.A. in São Paulo. Each unit issued, corresponds to 1 common share and 2 class A preferred shares of the Bank.

Application for Level 2 Adherence:

In order to reaffirm its commitment to continuous improvement of its governance and alignment with best practices in the market, BTG Pactual requested B3 to join B3's special Corporate Governance Level 2 listing segment. B3 approved the potential entry to Level 2, conditioned to (i) the conclusion of the Offering, (ii) Units, in free circulation, representing at least 21% of its capital stock, and (iii) the free float recomposition, as necessary, within 18 months from May 28, 2019.

Covid-19 Pandemic | Context, Initiatives and Impacts

The Covid-19 pandemic has dramatically altered the global landscape and has created enormous challenges for every aspect of society – from health and safety, to the economy, to friends and families.

For firms like BTG Pactual, it has resulted in the need to adjust our operating model to ensure the health and safety of our employees without sacrificing the client service which has always been a foundation of how we operate and the need to focus on our broader responsibility as members of the communities in which we operate.

Before we cover the financials for the period, we wanted to describe some of the important initiatives that we have taken (and will continue to take) with respect to our operating model and our role in the community. And, we want to take a moment to express our sincere hope that all of you are in good health during these difficult times.

- We are maintaining the Bank operational, with all services, communication channels and functionalities available to our clients;

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

- Our technology teams have delivered the connectivity and cybersecurity necessary for us to operate in this new work environment, with all our teams working stably, continuously, and without any operational incidents - and with a very high level of engagement all around the Firm;
- In the first weeks of the crisis, our client and operations teams cleared unprecedented volumes of transactions in secondary markets – in the last two months we have faced almost 2x higher volumes compared to the same period a year ago - keeping our operational platform available and working intensely in cooperation with our market counterparts;
- Using technology, we are keeping ourselves close and available to clients in all segments, bringing quality information and specialized advice on a daily basis, to support them in their business needs or in the management of their portfolios;

New Units Program

On April 3, 2020, the Bank board of directors approved a new share buyback program. The purpose of the repurchase program is to efficiently invest the funds available in cash, in order to maximize the company's capital allocation and will include the acquisition of up to 15,000,000 units. On the same date, the shares held in treasury were canceled.

2. Corporate reorganization and acquisitions

- **Corporate events**

Primary public offering

On July 29, 2020, the Bank made a public offering of newly issued shares, on best efforts underwriting, of 35,625,000 Units, composed of 35,625,000 common shares and 71,250,000 preferred shares. The bookbuilding process was concluded with a price of R\$74.40 per Unit, therefore R\$24.80 per share, resulting in an offering of R\$2,650,500, amount which corresponds to the Bank's Capital increase.

Incorporation of Novaportfolio Participações S.A.

On December 20, 2019, the Bank held a Board of Directors' meeting, in which approved the Novaportfolio Participações S.A.'s ("Novaportfolio") incorporation. The merger aims to simplify the current BTG Pactual's organizational structure through the consolidation of certain activities, therefore bringing an overall reduction in its financial and operational costs. On April 17, 2020, the Novaportfolio incorporation was approved by Bacen.

Admission of Mr. André Santos Esteves

On December 18, 2019, the Bank BTG Pactual received the Central Bank of Brazil's approval to admission Mr. André Santos Esteves as a member of the company's controlling group, pending only the conclusion of the analysis from the competent regulatory authorities abroad.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

Global Medium Term Notes Issue

On December 4, 2019, the Bank, through its Cayman Island's branch, issued Global Medium Term Notes, in the total amount of US\$500 million at a fixed coupon rate of 4.5% p.a., with maturity date on January 10, 2025, and semi-annually coupon payments.

Equity Linked Note Issue

On September 30, 2019, the Bank issued, through its Cayman Islands branch, an Equity Linked Note to BTG Pactual Holding S.A. ("Holding"), current its indirect controlling shareholder, with a 10 year maturity in the amount of CHF599 million, equivalent to approximately 25% of the share capital of the EFG International ("EFG"). The Equity Linked Note refers exclusively to the Bank transferring its EFG economic rights, including proceeds such as dividends. The Bank and the Holding intend to transfer approximately 25% of the common equity of EFG, currently held by the Bank to Holding. After this transaction, the Bank will hold approximately 5% of EFG's common equity. The transaction for the actual transfer of the participation on EFG to the Holding is being analyzed by applicable regulators.

Secondary public offering

On June 4, 2019, BTG Pactual issued a secondary public offering of 55.2 million book-entry, non-par registered share deposit certificates of 1 common share and 2 class A preferred shares issued by the Bank. and held by Holding. On June 2019, the Bookbuilding procedure was concluded, with the establishment of a unit price of R\$46.00, resulting in a total restricted offer amount of R\$2,5 billion (including green shoe).

On June 17, 2019, the Holding held operations in Units representing shares issued by the Bank : (i) 34,598,868 common shares issued by the Bank, corresponding to 2% of the Bank's common shares; and (ii) 69,197,736 Bank Class A preferred shares corresponding to 12.43% of the Bank Class A preferred shares and corresponding to 7.64% of the Bank preferred shares. Holding interest represents approximately 3.94% of the total shares issued by the Bank. On the same date, BTG Pactual Holding Financeira Ltda. ("Holding Financeira"), carried out transactions in shares issued by the Bank, a position equivalent to: (i) 89.93% of the Bank's common shares; and (ii) 100% of the Bank Class B preferred shares and 38.56% of the preferred shares issued by the Bank. Holding Financeira represents approximately 68.34% of total shares issued by the bank.

Banco Pan S.A.

On March 13, 2019, CaixaPar notified the exercise of the right to acquire 50% of the shares subscribed by the Bank on November 2017, so that the total capital stock of the Company will be: (i) 41.7% for CAIXAPAR; (ii) 41.7% for BTG Pactual and (iii) 16.6% for minority shareholders. On December 31, 2020, the Bank has 44.85% of interest in Banco Pan, due to primary and secondary public offering of shares and acquisitions in free float.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

- **Acquisitions and disposals**

Necton Investimentos S.A.

On October 26, 2020, definitive documents were signed regarding the acquisition of 100% of the share capital of Necton Investimentos S.A. Corretora de Valores Mobiliarios e Commodities, for the amount of R\$ 348 million. This acquisition is part of BTG Pactual's expansion strategy in the investment retail segment. The conclusion and closing of the transaction are subject to verification of certain precedent conditions, including obtaining all necessary regulatory approvals, including from Bacen.

EQI Investimentos

On July 15, 2020, EQI Investimentos ("EQI") accepted the Bank's proposition to become its contractor as an autonomous agent. The proposal foresses the Bank's support on the EQI project of acting, after obtaining the applicable regulatory approvals, as a securities broker.

CredPago Serviços de Cobrança S.A..

During the period ended September 30, 2020, the Group, through fund Seedling FIP, held on to 49% of CredPago Serviços de Cobrança S.A., subject to obtaining the applicable regulatory approval, acquired in two tranches: (i) acquisition of 20% on January 31, 2020, in the amount of R\$42 million, and (ii) acquisition of an additional portion of 29% on July 27, 2020, in the amount of R\$116 million. This enterprise happened in the normal course of business, complementing the current strategy in the insurance and digital retail business, as disclosed to the market.

Neoport Participações S.A. transfer

On September 30, 2019, the Bank and the Holding signed an equity purchase and sale agreement, in order to transfer the equity stake held by the Bank of Neoport Participações S.A. ("Neoport"), in the approximate amount of R\$73,2 million. Neoport is a holding company that owns a few assets and liabilities such as: (i) the indirect investment held by the Bank on the Engelhart CTP Group S.A., in the context of keeping its trading commodities activity separated from the BTG Pactual operational structure; (ii) certain credit-nature assets; and (iii) the transfer, by the Bank, of a portion in the amount about of R\$874 million of its payment obligations due to Fundo Garantidor de Crédito regarding the Banco Pan S.A. acquisition, in which the bank remain jointly liable debtor in the payment of the acquisition price related to Banco Pan S.A.

BTG Pactual Chile S.A. Compañía de Seguros de Vida

On September 3, 2019, the BTG Pactual Chile SpA. signed an equity purchase and sale agreement with DT Rigel S.A. and Vitacura Dos S.A. in order to sell your equity stake on BTG Pactual Chile S.A. Compañía de Seguros de Vida in the amount of UF1,8 million. On January 17, 2020, the sale of BTG Pactual Chile SpA was approved.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A.

On July 19, 2019, the Bank acquired 80% of Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A., which will be maintained as an independent platform of BTG Pactual. The purchase and sale agreement also foresees the Bank's option to purchase the remainder of Ourinvest shares until 2021, 10% in March 2021 and 10% in March 2022. On March 31, 2020, Bacen approved the acquisition.

3. Presentation of the financial statements

The Bank's consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (Bacen), in accordance with the standards and instructions of the Conselho Monetário Nacional (CMN), Bacen and Securities and Exchange Commission (CVM), when applicable.

The Bank's consolidated financial statements include the individual financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, as well as investment funds and special purpose entities (SPE).

The preparation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by Bacen requires management to use its judgment to determine and register accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with uncertain tax position, the provision for contingent liabilities and fair value measurement on financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent uncertainties to its determination. The Bank periodically reviews these estimates and assumptions.

The resolutions nº2/ 2020 of Bacen, established general criteria and procedures for the disclosure of standalone financial statements, effective as of January / 2020, including: the presentation of the Statement of Comprehensive Income, Earnings per Share and changes made to the presentation of the balance sheets .

The consolidated financial statements were approved by the Bank's management on February 8, 2021, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

a. Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and the portions of net income (loss) and shareholders' equity relating to non-controlling interest were included.

Goodwill calculated on the acquisition of an investment in subsidiaries is recognized in intangible assets. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities are recognized in investments.

The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

	Country	Equity interest - %	
		2020	2019
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BW Properties S.A.	Brazil	72.09	72.09
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual Cayman International Holding Limited	Cayman	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.91	99.91
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	70.00
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
ZB Consultoria Ltda	Brazil	99.99	99.99
RESALE Tecnologia e Serviços Ltda	Brazil	65.42	-
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
Ourinvest Distribuidora de Títulos e Valores Mobiliários S.A.	Brazil	80.00	-
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Chile S.A. Compañía de Seguros de Vida	Chile	-	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.97	99.97
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	99.97	99.97
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual S.S. Soluciones y Servicios S.A.S.	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

	Country	Equity interest - %	
		2020	2019
Direct subsidiaries			
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
TTG Forestry Services LLC	USA	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual RE Income S.A.	Colombia	100.00	100.00
BTG Pactual Chile Asesorias Financieras	Chile	100.00	100.00
PFC Consultoria e Assessoria Empresarial Eireli	Brazil	100.00	100.00
Lutece Holdings Ltd.	Bermudas	-	100.00
Lutece Investment Management Ltd.	Bermudas	-	100.00
BTG Pactual Seguros S.A	Brazil	100.00	100.00
BTG Pactual Reinsurance Ltd.	Cayman	100.00	100.00
BTG Pactual Holding EFG Ltd.	Brazil	100.00	100.00
BTG Pactual (UK) Limited	UK	100.00	100.00
BP Agencia de Sseguros LTD	Colombia	100.00	-
Greenwood Echo LLC	USA	100.00	-
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	-	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	100.00
BTGP Int Fund II SPC - BTGPH Corp Hedge	Brazil	100.00	100.00
BTG PACTUAL RED FIP - Multimercado Investimento no Exterior	Brazil	98.65	98.65
FIM CP Energy	Brazil	72.56	72.56
FIM CP Vitória Fidelis	Brazil	53.11	100.00
FIDC NP Alternative Assets II	Brazil	100.00	100.00
BTG Pactual SICAV - Mexico Equity Fund	Luxembourg	94.30	94.44
BTG Pactual SICAV - Latin America Equity Fund	Luxembourg	58.88	75.21
BTG Pactual Fondo Alfa Concentrado S.A. de C.V.	Mexico	82.20	90.00
BTG Pactual Absoluto Global Equities Inst FIA IE	Brazil	100.00	100.00
BTG Pactual Absoluto Global Equities FIA	Brazil	-	79.00
BTG Pactual Absoluto Global Equities	Brazil	-	82.24
Seedling FIP	Brazil	100.00	100.00
FIDC NP Alternative Assets III	Brazil	100.00	100.00
FIDC NP Precatórios Brasil	Brazil	100.00	100.00
FIDC Creditos não-Padronizados I	Brazil	100.00	-
Vulcan FIP Multiestrategia	Brazil	100.00	-
Exes Credito Direto FIM CP IE	Brazil	88.73	-
T.Rowe Global Allocation Fund FIC FIM IE	Brazil	96.37	-
FIM CP Proventia	Brazil	70.63	-
BTG Pactual Absoluto LS FIC FIM	Brazil	90.18	-
BTG Pactual Consumer Asset Backed Investment Fund	Cayman	100.00	-
BTG Pactual BRAZIL Infrastructure Fund II, LP	Cayman	100.00	-
BTG Pactual International Port Fund SPC - SP I	Cayman	100.00	-
BTG Pactual PAR SPC Segregated Petro Africa CL B	Cayman	57.33	-
Brasil Capital 100 B Prev Fundo de Investimento em cotas de fundos de investimentos em acoes	Brazil	100.00	-
BTG Pactual Absoluto LS Master Previdencia fundo de investimento multimercado	Brazil	83.08	-
Oceania Long Biased FI em cotas de fundos de investimento multimercado Access Previdencia	Brazil	89.40	-
EQI fundo de investimento em cotas de fundos de investimento em acoes	Brazil	100.00	-
EQI Macro Fundo de Investimento em cotas de fundos de investimento multimercado	Brazil	100.00	-
Global Advantage Fund dolar FI em cotas de fundos de investimento de acoes no exterior	Brazil	100.00	-
Alaska Previdencia 100 fundo de investimento em cotas de fundos de investimento multimercado	Brazil	62.00	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, except otherwise indicated)

b. Functional currency

The amounts included in the Bank's consolidated financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R\$), which is the functional currency of the Bank.

The assets and liabilities of subsidiaries with a functional currency other than Brazilian Real are translated as follows: (i) assets and liabilities are translated using the closing rate at the balance sheet date. (ii) Income and expenses are translated using monthly average exchange rates, and (iii) Investments in subsidiaries abroad are recognized as follows: for those with functional currency equal to Real; Income for the period: for those with functional currency equal to Real: a) Income for the period; portion related to the subsidiary's effective income; and b) Shareholders' Equity: portion related to foreign exchange adjustments arising from the translation process, net of tax effects.

The effects of foreign exchange variations on investments abroad are distributed in the fair value adjustments in the shareholders' equity.

4. Significant accounting practices

The significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are the following:

a. Cash and cash equivalents

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments with original maturities up to 90 days, subject to an insignificant risk of change in value.

b. Short-term interbank investments, remunerated deposits at the Central Bank of Brazil, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and borrowings, subordinated debts and other transactions with asset and liability

The transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs incurred, calculated on a "*pro rata die basis*", based on the effective rate of the transactions.

c. Securities

Measured and classified in accordance with the criteria established by Bacen Circular Letter 3068/01, of November 8, 2001, under the following categories:

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

i. Trading securities

Acquired with the purpose of being actively and frequently traded. Trading securities are initially recognized at cost plus income earned, and adjustments to fair value, recognized in statements of income.

According to Bacen Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

ii. Available for sale securities

These are securities that are neither classified as trading securities or as held-to-maturity securities. They are stated at cost, with interest recorded in profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in statements of income after the effective realization.

iii. Held-to-maturity securities

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to the statements of income.

Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in statements of income as realized losses.

d. Derivative financial instruments

These are classified according to Management's intention, on the transaction date, considering whether such transactions are for hedge or not.

Transactions using financial instruments of own portfolio, or that does not comply with hedge criteria (mainly derivatives used to manage the overall risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recorded directly in statements of income.

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as hedge instruments and are classified according to their nature:

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in statements of income.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in statements of income.
- Net Investment Hedge of Foreign Operations - accounted for similarly to cash flow hedge, i.e. the portion of gains or losses on a hedging instrument that is determined to be an effective hedge is recognized in Shareholders' equity, and reclassified to income for the period in the event of disposal of the foreign operation. The ineffective portion is recognized in statements of income for the period.

e. Fair value of securities, derivative financial instruments and other rights and obligations

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, is calculated based on market price, price evaluation models, or based on the price determined for other financial instruments with similar characteristics. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price in a corresponding entry of statement of income.

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, adjusted for the difference between this amount and the price of the good or right adjusted at market prices, at the appropriate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in statements of income.

The notional amount of the agreements is recorded in memorandum accounts.

f. Determining fair value

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

Level 1: Price quotations observed in active markets for the same financial instrument.

Level 2: Price quotations observed in active markets for financial instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Bank determines a reasonable level for the input. Financial instruments primarily include certain unlisted equity shares mainly derived from our merchant banking activities, debt securities (debentures) from non-public companies and energy derivatives where valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of a financial instrument valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions		
Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Debt securities (debentures)	Standard models and comparable prices.	Probability of default, loss severity and yield, prepayment and recovery rates.
Energy derivatives	Models based on Decomp and Newwave systems data.	GDP, hydro reservoir levels and rain forecast.

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

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

g. Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to compensation or simultaneously realize the asset and settle the liability.

h. Sale or transfer of financial assets with substantial retention of risks and benefits

Financial assets remain on the transferor's balance sheet when the transferor retains the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

i. Loans and other receivables (operations with credit characteristics)

Recorded at present value, calculated on a “*pro rata die*” basis on the index variation and on the agreed interest rate, updated up to 59th day of default, provided the expected receipt. As from the 60th day, the recognition in income occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least in the same level in which they were classified before the renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in the results when actually received.

j. Allowance for expected losses associated with credit risk

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682 of December 21, 1999, among which:

- Allowances are recorded for loans, based on the risk classification of the client, based on the periodical analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, written of loans against losses are carried out after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.
- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

k. Investment property

Investment properties held by Bank’s subsidiaries, which main activity is real estate, are initially measured at cost including transaction costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, less attributed costs, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the Management deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefits are expected from their disposal.

l. Investments

Jointly controlled and associates are accounted for under the equity method. Other investments in permanent assets are stated at cost, less allowance for losses, when applicable.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, except otherwise indicated)

m. Foreign currency translation

See note 3b.

n. Goodwill and negative goodwill

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired.

Goodwill and negative goodwill, recorded according to the basis of expected future results of the acquired subsidiaries, is amortized according to cashflow projections underlying the transaction or, when the investment is written off, by disposal or impairment, before projections are achieved.

Negative goodwill is recognized in investments for associates and jointly controlled entities, and in deferred income to subsidiaries.

o. Property and equipment in use and

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Amortization is calculated using the straight-line basis over the estimated period of usage and/or disposal.

p. Intangible assets

Intangible assets include acquired rights to the underlying assets designated to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Comprised by (i) goodwill paid in acquisition transferred to intangible assets due to incorporation of acquirer's equity by the acquired, or consolidation of the company; (ii) for acquired rights of assets management contracts; and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

q. Crypto-currency

Corresponds to rights acquired and controlled by the entity as a result of past events, which have identifiable non-monetary assets without physical substance, and capable of generating future economic benefits. In reference to this topic are purchase and sale transactions for crypto-assets carried out by the Company during the year ended December 31, 2020. The Company measures crypto-assets through the determination of fair value.

On the date of preparation of these financial statements, the Bank has unrealized crypto-assets transactions on its balance sheet.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

r. Impairment on non-financial assets

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, loss is recorded in the income or loss. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are deducted, when applicable, of the impairment losses that are calculated according to the higher amount of value in use and fair value less assets sale costs. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

s. Income tax and social contribution

The provisions for income tax and social contribution are recorded based on accounting profits adjusted by additions and deductions according to the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution.

Deferred income tax and social contribution, represented by deferred tax assets and liabilities, is obtained based on the differences between the tax bases of assets and liabilities. Deferred tax assets are only recognized when it is probable that future taxable income will be available for offsetting.

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

Recognized according to the criteria described below:

i. Contingent assets

Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in such legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably relevant. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions nor disclosure.

iii. Legal obligation – tax and social security

Refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, except otherwise indicated)

u. Earnings per share

Calculated based on weighted average shares of the period.

v. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Risk Management at BTG Pactual is carried with the involvement of all management and control instances of the Institution. The Bank's Board of Directors, under the terms of CMN Resolution 4,557 / 2017, is the responsible for setting the levels of risk appetite, approving and reviewing the policies, strategies and risk limits, policies and capital management strategies, the stress test program, the management of the business continuity management policy, among other activities. The Executive Board is responsible for formulating policies, defining risk guidelines and supervising risk management and control processes. In the sequence, there is a set of risk committees and areas, responsible for the execution of management activities and risk controls. The Executive Board is responsible for formulating policies, defining risk guidelines and supervising the processes of risk and control management.

The main committees/meetings involved in risk management activities are: (i) Management meeting, which approves policies, defines overall limits and is ultimately responsible for managing risks; (ii) Risk Management Committee which discusses policies, limits and risk monitoring; (iii) Capital and Risk Committee, composed by independent members to supervise risk management results and strategies; (iv) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products; (v) Credit Risk area, which is responsible for approving new loans according to the guidelines set forth by our CRO; (vi) Market Risk area, which is responsible for monitoring market risk, including the use of four risk limits (Value at Risk - VaR), and approving exceptions, (vii) Operational Risk Area, which assesses the main operational risks for the internal policies and regulatory risks established, (viii) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering; (ix) CFO and CRO, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure; (x) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records (xi) Socio-environmental Risk area assesses socio-environmental risks, considering relevance and proportionality as principles, also manages and reduces adverse social and environmental impacts caused by our operations and activities; and (xii) Environmental, Social and Governance (ESG) subcommittee, formed by C-levels, was established to ensure the assessment of socio-environmental risk is sufficiently incorporated into business practices, as well to identify ESG business opportunities.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees/areas (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas. Further details on risk management can be found at www.btgpactual.com.br/ri, in the Corporate Governance / Risk management section.

a. Operational limits

	<u>2020</u>	<u>2019</u>
Reference Shareholders' Equity	26,680,655	21,332,170
Consolidation adjustments	-	54,465
Reference Shareholders' Equity Consolidated	<u>26,680,655</u>	<u>21,386,635</u>
Tier I		
Common Equity	22,087,705	17,819,468
Complementary Equity	21,710,355	17,431,374
Tier II	377,350	388,094
Reference Shareholders' Equity (PR) - (a)	<u>4,045,185</u>	<u>4,047,788</u>
Required Reference Shareholders' Equity (PRE)	26,132,890	21,867,256
Total exposure risk-weighted - (b)	12,553,154	11,707,521
Credit risk	<u>156,914,431</u>	<u>146,344,008</u>
Operational risk	120,955,912	70,166,108
Market risk	7,025,255	5,938,507
	28,933,264	70,239,393
Basel ratio - (a/b)	16.7%	14.9%
Tier I capital	14.1%	12.2%
Tier II capital	2.6%	2.7%
Fixed assets ratio	99.6%	86.0%
Fixed assets to equity capital ratio	13,057,529	10,926,576
Status for fixed assets to equity capital ratio	13,004,047	9,397,233
Amount of margin (insufficiency)	53,482	1,529,343

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular Bacen 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circular-Letter 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13.

The Bank has chosen the basic indicator approach to measure operational risk.

As at the year ended December 31, 2020 and 2019, the Bank was in compliance with all operating limits.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

b. Market risk

Value at Risk (VaR) is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one day period, with level of confidence of 95.0% and one year historical data. Reliable level of 95.0% means that there is one within twenty chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses stress test models as a complement to VaR method for its daily risk activities.

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

In millions of R\$	December 2020	December 2019	December 2018
Daily average VaR	87.6	135.7	82.7

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly reviewed. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, except otherwise indicated)

d. Liquidity risk

The Bank and its subsidiaries manage liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a level of leverage. Additionally, any mismatching between assets and liabilities is monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

e. Operational risk

In line with the Bacen guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and anticipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

f. Socio-environmental risk (ESG)

BTG Pactual's approach to sustainability is based on an understanding of our responsibility to our partners, employees, society and the environment as a supplier of financial services.

Fully aligned with our Commercial Principles, BTG Pactual's Socio-Environmental and Corporate Governance Policy reflects our long-term ambition and unconditional commitment to responsible and sustainable development. We operate with a consistent focus on the implications and long-term results of our actions, prioritizing long-term benefits over short-term gains, always looking at ESG risks and opportunities.

We believe that solid business practices and corporate responsibility are long-term drivers that must be applied daily to generate shareholder value through sustainable growth and recurring revenue and business flows.

6. Cash at banks

Cash refer basically to deposits abroad in prime banks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

7. Interbank investments

	2020					2019
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	48,866,043	48,638,433	227,610	-	-	24,370,255
Own portfolio	25,762,614	25,575,425	187,189	-	-	2,705,434
Federal government bonds	24,941,535	24,754,346	187,189	-	-	2,305,020
Foreign private securities	653,884	653,884	-	-	-	-
Corporate bonds	166,945	166,945	-	-	-	322,402
Foreign government bonds	250	250	-	-	-	78,012
Third-party portfolio	19,099,745	19,067,246	32,499	-	-	18,895,611
Federal government bonds	19,074,876	19,042,377	32,499	-	-	18,860,436
Corporate bonds	5,248	5,248	-	-	-	16,146
Foreign government bonds	19,621	19,621	-	-	-	19,029
Short position	4,003,684	3,995,762	7,922	-	-	2,769,210
Federal government bonds	3,989,435	3,981,513	7,922	-	-	2,630,912
Foreign government bonds	14,249	14,249	-	-	-	138,298
Interbank investments (*)	2,824,185	2,566,484	191,606	-	66,095	1,575,023
Interbank deposit certificates	889,228	631,527	191,606	-	66,095	231,517
Investments in foreign currency - overnight	1,934,957	1,934,957	-	-	-	1,343,506
Total	51,690,228	51,204,917	419,216	-	66,095	25,945,278

(*) Refers basically to interbank deposits in prime banks.

The collateral received in repurchase agreements amounts to R\$8,907,925 (December 31, 2019 - R\$6,537,461), whereas the collateral granted amounts to R\$61,880,613 (December 31, 2019 - R\$35,520,006).

8. Securities

a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of portfolio are as follows :

	2020							2019
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	16,291,546	21,384,852	10,926,347	2,445,372	1,672,378	2,251,920	4,088,835	28,386,864
Federal government bonds	3,264,132	4,142,352	1,739,076	1,743,468	271,615	19,589	368,604	10,798,590
Debentures (i)	3,796,679	3,832,505	462,948	14,319	669,334	1,062,974	1,622,930	2,659,706
Investment fund quotes								
Shares	613,265	648,956	192,578	-	-	433,742	22,636	338,851
Multimarket	1,591,490	1,615,019	1,423,278	27,775	1,370	-	162,596	2,371,825
FIDC - Credit Rights	199,896	193,402	127,905	24,925	502	-	40,070	86,914
Real Estate	129,388	128,293	2,536	-	-	-	125,757	156,794
Equity Investment fund	521,248	561,827	230,569	-	70,493	-	260,765	738,886
Shares	422,621	4,432,315	3,832,251	-	170,838	32,538	396,688	5,686,972
Certificate of real estate								
receivables	24,834	24,085	1,808	11,730	3,936	3,046	3,565	29,163
Certificate of bank deposits	6,680	6,993	5,030	1,294	320	346	3	2,972
Agribusiness receivables								
certificates	846,028	846,118	-	72,774	210,302	384,934	178,108	-
Promissory note	34,774	33,927	33,927	-	-	-	-	5,174
Other	198,434	195,310	4,048	111,572	79,551	-	139	679,742
Foreign government bonds	2,008,101	2,014,322	1,706,200	185,198	62,488	39,075	21,361	1,335,531
Foreign private securities	2,633,976	2,709,428	1,164,193	252,317	131,629	275,676	885,613	3,495,744
Unrestricted portfolio	30,963	31,170	-	7,150	5,982	-	-	442,381
Federal government bonds	30,963	31,170	-	7,150	5,982	-	-	442,381
Subject to repurchase agreements	37,926,694	36,942,427	4,135,784	25,661,689	3,523,697	2,304,799	1,316,458	10,813,419
Federal government bonds	35,070,216	34,252,259	3,418,632	25,582,294	2,709,819	2,087,208	454,306	9,041,588
Certificate of real estate								
receivables	91,794	91,639	2,881	-	79,856	2,234	6,668	-
Agribusiness receivables								
certificates	217,369	217,352	-	-	9,024	14,089	194,239	-
Foreign government bonds	51,806	52,058	-	-	-	28,728	23,330	343,525
Other	92,438	92,362	-	-	92,362	-	-	21,949
Foreign private securities	72,537	718,708	713,772	4,936	-	-	-	14,436
Debentures	1,680,534	1,518,049	499	74,459	632,636	172,540	637,915	1,391,921
Subject to guarantees	16,843,089	16,757,221	4,905,502	1,460,179	2,379,776	4,697,867	3,313,897	5,772,783
Federal government bonds	1,527,842	1,521,976	97,138	1,380,126	44,712	-	-	2,549,273

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

	2020							2019
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Investment fund quotes								
Multimarket	2,187,799	2,194,509	2,194,509	-	-	-	-	1,156,191
Shares	25	25	25	-	-	-	-	-
Debentures (i)	9,690,533	9,696,511	12,478	80,053	1,973,693	4,644,553	2,985,734	123,898
Certificate of real estate								
receivables	423,367	328,163	-	-	-	-	328,163	360,721
Shares	2,593,942	2,601,352	2,601,352	-	-	-	-	1,562,295
Foreign government bonds	55,729	56,400	-	-	56,400	-	-	-
Foreign private securities	-	-	-	-	-	-	-	20,042
	363,852	358,285	-	-	304,971	53,314	-	363
Trading securities	65,079,445	69,299,761	18,745,075	29,413,990	5,671,541	7,561,563	7,907,592	40,735,778
Available for sale securities	4,884,589	4,687,651	94,300	160,400	1,910,292	1,693,023	829,636	1,274,844
Held-to-maturity securities	1,128,258	1,128,258	1,128,258	-	-	-	-	3,404,825
Total	71,092,292	75,115,670	19,967,633	29,574,390	7,581,833	9,254,586	8,737,228	45,415,447

b. Trading securities

	2020							2019
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	13,463,319	18,490,547	9,828,468	2,439,484	848,726	1,759,584	3,614,285	27,681,414
Federal government bonds	2,196,360	3,074,580	671,304	1,743,468	271,615	19,589	368,604	10,798,590
Debentures/Eurobonds	2,760,473	2,803,880	461,950	8,431	75,386	675,033	1,583,080	2,441,158
Investment fund quotes								
Shares	613,265	648,956	192,578	-	-	433,742	22,636	338,851
Multimarket	1,591,490	1,615,019	1,423,278	27,775	1,370	-	162,596	2,371,825
FIDC - Credit Rights	199,896	193,402	127,905	24,925	502	-	40,070	86,914
Real Estate	129,388	128,293	2,536	-	-	-	125,757	156,794
Equity Investment fund	352,662	330,108	230,569	-	70,493	-	29,046	570,286
Shares	296,344	4,306,038	3,832,251	-	44,561	32,538	396,688	5,619,512
Certificate of real estate								
receivables	22,838	23,152	1,141	11,730	3,670	3,046	3,565	29,163
Certificate of bank deposits	6,680	6,993	5,030	1,294	320	346	3	2,972
Agribusiness receivables								
certificates	846,028	846,118	-	72,774	210,302	384,934	178,108	-
Promissory note	5,485	5,485	5,485	-	-	-	-	5,174
Other	187,552	184,920	4,048	111,572	69,161	-	139	679,483
Foreign government bonds	2,008,101	2,014,322	1,706,200	185,198	62,488	39,075	21,361	1,293,660
Foreign private securities	2,246,757	2,309,281	1,164,193	252,317	38,858	171,281	682,632	3,287,032
Unrestricted portfolio	30,963	31,170	-	7,150	5,982	-	18,038	442,381
Federal government bonds	30,963	31,170	-	7,150	5,982	-	18,038	442,381
Subject to repurchase agreements	37,154,118	36,359,880	4,134,241	25,587,230	3,093,420	2,228,531	1,316,458	7,691,433
Federal government bonds	35,070,216	34,252,259	3,418,632	25,582,294	2,709,819	2,087,208	454,306	5,955,369
Certificate of real estate								
receivables	90,756	90,595	1,837	-	79,856	2,234	6,668	-
Foreign government bonds	51,806	52,058	-	-	-	28,728	23,330	343,525
Agribusiness receivables								
certificates	217,369	217,352	-	-	9,024	14,089	194,239	-
Other	-	-	-	-	-	-	-	21,949
Foreign private securities	722,537	718,708	713,772	4,936	-	-	-	14,436
Debentures	1,001,434	1,028,908	-	-	294,721	96,272	637,915	1,356,154
Subject to guarantees	14,431,045	14,418,164	4,782,366	1,380,126	1,723,413	3,573,448	2,958,811	4,920,550
Federal government bonds	1,467,356	1,461,490	36,652	1,380,126	44,712	-	-	2,230,667
Investment fund quotes								
Multimarket	2,144,337	2,144,337	2,144,337	-	-	-	-	1,107,183
Shares	25	25	25	-	-	-	-	-
Debentures	7,908,035	7,897,178	-	-	1,418,233	3,520,134	2,958,811	-
Shares	2,593,942	2,601,352	2,601,352	-	-	-	-	1,562,295
Foreign government bonds	55,729	56,400	-	-	56,400	-	-	-
Foreign private securities	-	-	-	-	-	-	-	20,042
Other	261,621	257,382	-	-	204,068	53,314	-	363
Total	65,079,445	69,299,761	18,745,075	29,413,990	5,671,541	7,561,563	7,907,592	40,735,778

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

c. Available-for-sale securities

	2020						2019	
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	1,760,455	1,826,533	30,107	5,888	823,652	492,336	474,550	705,450
Investment fund quotes								
Equity investment fund	168,586	231,719	-	-	-	-	231,719	168,600
Shares	126,277	126,277	-	-	126,277	-	-	67,460
Debentures (*)	1,036,206	1,028,625	998	5,888	593,948	387,941	39,850	218,548
Certificate of real estate receivables	1,996	938	667	-	266	-	-	-
Promissory note	29,289	28,442	28,442	-	-	-	-	-
Foreign government bonds	-	-	-	-	-	-	-	41,871
Foreign private securities	387,219	400,147	-	-	92,771	104,395	202,981	208,712
Other	10,882	10,390	-	-	10,390	-	-	259
Subject to repurchase agreements	772,576	582,547	1,543	74,459	430,277	76,268	-	35,767
Debentures (*)	679,100	489,141	499	74,459	337,915	76,268	-	35,767
Certificate of real estate receivables	1,038	1,044	1,044	-	-	-	-	-
Other	92,438	92,362	-	-	92,362	-	-	-
Subject to guarantees	2,351,558	2,278,571	62,650	80,053	656,363	1,124,419	355,086	533,627
Debentures (*)	1,782,498	1,799,333	12,478	80,053	555,460	1,124,419	26,923	123,898
Investment fund quotes								
Multimarket	43,462	50,172	50,172	-	-	-	-	49,008
Certificate of real estate receivables	423,367	328,163	-	-	-	-	328,163	360,721
Other	102,231	100,903	-	-	100,903	-	-	-
Total	4,884,589	4,687,651	94,300	160,400	1,910,292	1,693,023	829,636	1,274,844

(*) On September 30, 2020, debentures were reclassified to the item of available-for-sale securities, which had previously been classified as securities for trading. The reclassification occurred due to the feature of the transactions and the liquidity of the assets.

d. Held-to-maturity securities

	2020					2019	
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	1,067,772	1,067,772	-	-	-	-	-
Federal government bonds	1,067,772	1,067,772	-	-	-	-	-
Subject to re purchase	-	-	-	-	-	-	3,086,219
Federal government bonds	-	-	-	-	-	-	3,086,219
Subject to guarantees	60,486	60,486	-	-	-	-	318,606
Federal government bonds	60,486	60,486	-	-	-	-	318,606
Total	1,128,258	1,128,258	-	-	-	-	3,404,825

If measured at fair value, held-to-maturity securities would be reported as at the year ended December 31, 2020 with a positive adjustment of R\$121,096 (December 31, 2019 – R\$7,853 positive).

The Bank has intention and financial capacity to maintain such assets to maturity.

e. Reclassification of securities

In order to reflect the current strategy, in the first quarter of 2020, the Bank changed the classification of securities from Available for Sale Securities to Trading Securities in the amount of R\$167,963 and net income in the amount of R\$49,810, net of tax effects. No reclassifications or changes in intention occurred during the year ended on ended December 31, 2019.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, otherwise indicated)

9. Derivative financial instruments

The Bank and its subsidiaries actively engage in risk intermediation transactions involving derivative financial instruments, providing necessary hedging for its own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations.

The risk underlying these operations is managed through strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques. The limits of risk exposure are determined by the Risk Committee and by type of instrument and counterparty concentration, among others.

Transactions conducted in Brazil are traded, registered or held in custody by B3 S.A., transactions conducted abroad are traded and registered with prime brokers. The Bank uses different financial instruments to achieve economical hedge such as options, forwards, futures and swaps with periodic adjustment. The use of these instruments is to hedge positions in the cash markets, aiming to improve the risk level in the portfolio, where the risk monitoring committees deemed necessary.

As at the year ended December 31, 2020 and 2019, the bank strategy of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations, compared to the functional currency of the Bank.

	2020		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	9,169,326	(754,593)	4,852,426

	2019		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	12,304,307	(76,232)	6,973,807

(i) Recorded in stockholders' equity under heading asset valuation adjustments.

To hedge the changes of the exchange variation of net investments in foreign operations, the Bank uses Futures contracts, financial assets and forward contracts or NDF (Non Deliverable Forward) contracts entered into by the subsidiaries abroad.

a. Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in memo accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of Bacen Circular Letter 3641/13, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, otherwise indicated)

	2020				2019
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	39,225,070	2,188,141	4,992,635	46,405,846	87,483,832
Currency	2,943,892	87,193	28,942	3,060,027	111,995
Interest rate	36,081,158	2,100,948	4,255,302	42,437,408	84,522,452
Index	169,583	-	708,391	877,974	2,413,021
Commodities	30,437	-	-	30,437	436,364
Short position	15,755,883	6,987,249	6,867,387	29,610,519	14,891,447
Currency	15,716,140	6,978,969	6,857,751	29,552,860	6,909,040
Interest rate	15,078	42	-	15,120	7,427,064
Index	7,916	-	2,231	10,147	555,343
Commodities	16,749	8,238	7,405	32,392	-
Swap					
Long position	20,309,160	30,239,057	27,973,911	78,522,128	346,947,951
Currency	5,559,813	119,572	267,484	5,946,869	202,156
Interest rate	11,521,534	29,013,081	26,851,705	67,386,320	345,944,271
Index	24,847	40,000	197,861	262,708	154,412
Equities	2,480,543	1,015,033	656,861	4,152,437	508,166
Commodities	32,455	38,199	-	70,654	12,602
Other	689,968	13,172	-	703,140	126,344
Short position	20,309,160	30,239,057	27,973,911	78,522,128	346,947,951
Currency	5,559,813	119,572	267,484	5,946,869	689,070
Interest rate	11,521,534	29,013,081	26,851,705	67,386,320	343,679,312
Index	24,847	40,000	197,861	262,708	1,778,953
Equities	2,480,543	1,015,033	656,861	4,152,437	563,457
Commodities	32,455	38,199	-	70,654	3,985
Other	689,968	13,172	-	703,140	233,174
Credit Derivatives					
Long position	-	-	245,380	245,380	201,918
Sovereign	-	-	14,811	14,811	12,515
Corporate	-	-	230,569	230,569	189,403
Short position	-	-	531,197	531,197	88,101
Sovereign	-	-	26,295	26,295	-
Corporate	-	-	504,902	504,902	88,101
Non-deliverable forward - NDF					
Long position	81,146,066	11,867,853	3,326,900	96,340,819	24,856,821
Currency	79,642,965	10,897,201	1,625,727	92,165,893	22,188,034
Commodities	1,457,850	970,652	1,701,173	4,129,675	2,668,787
Other	45,251	-	-	45,251	-
Short position	81,146,066	11,867,853	3,326,900	96,340,819	24,856,821
Currency	79,642,965	10,897,201	1,625,727	92,165,893	22,188,034
Commodities	1,457,850	970,652	1,701,173	4,129,675	2,668,787
Other	45,251	-	-	45,251	-
Security forwards					
Long position	552,949	-	-	552,949	105,338
Interest rate	493,825	-	-	493,825	81,449
Government bonds	59,124	-	-	59,124	23,889
Short position	552,949	-	-	552,949	105,338
Interest rate	493,825	-	-	493,825	23,889
Government bonds	59,124	-	-	59,124	81,449
Options market					
Call option - long position	17,304,830	1,358,502	586,456	19,249,788	121,449,017
Equities	897,341	186,576	136,922	1,220,839	353,300
Commodities	49,865	3,038	-	52,903	7,774,031
Currency	15,871,259	1,168,888	449,534	17,489,681	2,006,086
Index	486,315	-	-	486,315	111,315,600
Other	50	-	-	50	-
Put option - long position	85,297,571	188,639,679	1,963,066	275,900,316	36,215,115
Equities	389,432	-	-	389,432	2,851,411
Commodities	204,899	-	-	204,899	204,590
Index	70,251,091	185,952,000	1,934,460	258,137,551	29,873,454
Currency	14,452,149	2,687,679	28,606	17,168,434	3,285,660
Call option - short position	10,677,425	229,929	27,782	10,935,136	121,137,544
Equities	538,427	-	-	538,427	423,403
Commodities	-	-	-	-	7,816,417
Currency	9,778,282	229,929	27,782	10,035,993	961,940
Index	360,716	-	-	360,716	111,935,784
Put option - short position	82,745,367	187,398,838	1,954,517	272,098,722	36,736,275
Equities	234,982	-	-	234,982	301,183
Commodities	-	-	-	-	194,481
Index	283,792	-	-	283,792	34,647,179
Currency	82,226,593	187,398,838	1,954,517	271,579,948	1,593,432

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, otherwise indicated)

b. By cost and market value

	2020					2019
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	2,218	2,218	2,218	-	-	-
Short position	2,373	2,373	2,373	-	-	-
Swaps						
Long position	2,282,870	2,537,797	714,213	249,347	1,574,237	1,295,173
Short position	3,283,243	3,606,524	308,558	518,987	2,778,979	2,109,734
Credit derivatives						
Long position	-	16,308	-	-	16,308	19,757
Short position	4,959	4,958	3,213	-	1,745	4,620
Non-deliverable forward - NDF						
Long position	1,583,785	2,607,957	1,634,021	421,662	552,274	1,257,397
Short position	1,430,177	2,371,760	1,540,935	631,692	199,133	1,574,651
Security forwards						
Long position	552,940	552,906	552,906	-	-	105,531
Short position	552,912	553,006	553,006	-	-	105,418
Options market						
Long position	1,834,193	2,510,360	1,574,508	700,513	235,339	942,201
Short position	493,671	1,184,718	811,807	349,807	23,104	377,397
Long position	6,256,006	8,227,546	4,477,866	1,371,522	2,378,158	3,620,059
Short position	5,767,335	7,723,339	3,219,892	1,500,486	3,002,961	4,171,820

c. Notional by counterparty

	2020					2019
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	46,233,666	172,180	-	-	46,405,846	87,483,832
Short position	29,326,478	284,041	-	-	29,610,519	14,891,447
Swap						
Long position	6,814,115	67,586,116	3,962,338	159,559	78,522,128	346,947,951
Short position	6,814,115	67,586,116	3,962,338	159,559	78,522,128	346,947,951
Credit derivatives						
Long position	-	245,380	-	-	245,380	201,918
Short position	-	531,197	-	-	531,197	88,101
Non-deliverable forward - NDF						
Long position	-	63,772,166	32,466,526	102,127	96,340,819	24,856,821
Short position	-	63,772,166	32,466,526	102,127	96,340,819	24,856,821
Security forwards						
Long position	-	552,949	-	-	552,949	105,338
Short position	-	552,949	-	-	552,949	105,338
Options market						
Long position	531,028	294,155,987	160,770	302,319	295,150,104	157,664,132
Short position	1,082,972	281,564,212	184,098	202,576	283,033,858	157,873,819
Long position	53,578,809	426,484,778	36,589,634	564,005	517,217,226	617,259,992
Short position	37,223,565	414,290,681	36,612,962	464,262	488,591,470	544,763,477

(i) Includes investments funds.

d. Credit derivatives

	2020	2019
Credit swap		
Transferred risk		
Sovereign	14,811	12,515
Corporate	230,569	189,403
Risk received		
Sovereign	(26,295)	-
Corporate	(504,902)	(88,101)
	(285,817)	113,817

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, otherwise indicated)

During the year ended December 31, 2020 and 2019, there was no credit events related to triggering facts provided for in agreements.

e. Guarantee margins

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$13,029,606 (December 31, 2019 – R\$3,108,380) and shares in the amount of R\$2,601,352 (December 31, 2019 – R\$1,562,295).

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- **Swaps:** cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on B3 S.A., Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- **Futures and Forward:** using stock exchange quotations or criteria identical to those described for swaps above.
- **Options:** the fair value of these instruments is calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokerage firms, Bloomberg and Reuters).
- **Credit derivatives:** the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally prices from brokerage firms, Bloomberg and Reuters).
- **Securities and short selling:** the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by B3 S.A. Fund quotas are valued based on quota prices disclosed by the custodian.
- **Financial assets at fair value through profit (loss):** The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, otherwise indicated)

10.Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, when applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by the same Resolution.

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

Type of credit	2020		2019	
	Balance	Allowance	Balance	Allowance
Loans	40,895,440	(1,679,978)	20,733,601	(1,053,385)
Financing	2,765,734	(108,768)	3,315,152	(84,719)
FINAME/BNDES	4,015,395	(23,458)	2,871,239	(13,693)
Receivables (ii)	90,350	(28,391)	52,562	(13,834)
Advances in foreign exchange contacts (ii)	2,074,406	(36,552)	1,205,230	(13,398)
Securities financing	823,810	(5,823)	1,704,456	-
Transferred loans with co-obligations (i)	1,472	-	2,224	-
Total	50,666,607	(1,882,970)	29,884,464	(1,179,029)

(i) Refers to transferred loans as collateral, related to repurchase agreements.

(ii) On June 30, 2020, the amounts once classified as "foreign exchange contracts advancements" and "other receivables - with loans characteristics" were reclassified to "loans" group.

ii. By risk level and maturity

Risk level	2020					2019		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	41,276	9,956,430	2,335,784	10,233,994	22,567,484	(12,168)	12,651,874	(2,208)
A	6,462	3,755,074	636,142	6,587,377	10,985,055	(55,300)	7,492,664	(39,993)
B	46,953	3,286,899	1,880,835	6,559,258	11,773,945	(132,497)	5,659,720	(69,439)
C	30,102	500,946	280,129	1,121,589	1,932,766	(92,371)	1,818,317	(64,627)
D	9,631	261,119	11,999	1,085,721	1,368,470	(223,614)	743,399	(165,290)
E	54,048	107,850	117,787	383,271	662,956	(243,445)	468,523	(170,350)
F	-	11	128,403	114,594	243,008	(133,470)	882,604	(514,725)
G	35,757	1,729	19,517	722,782	779,785	(636,967)	66,213	(51,247)
H	153,247	9,130	21,937	168,824	353,138	(353,138)	101,150	(101,150)
Total	377,476	17,879,188	5,432,533	26,977,410	50,666,607	(1,882,970)	29,884,464	(1,179,029)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, otherwise indicated)

iii. By activity sector

Sector	2020	2019
Commerce	8,260,119	5,074,292
Industry	13,620,149	4,974,259
Services	25,972,744	17,477,913
Rural	527,425	1,749,315
Individuals	2,286,170	608,685
Total	50,666,607	29,884,464

b. Credit concentration

	2020	%	2019	%
Largest debtors				
10 largest debtors	9,607,232	19%	10,232,042	34%
20 following largest debtors	6,930,391	14%	5,162,441	17%
50 following largest debtors	9,505,900	19%	4,972,836	17%
100 following largest debtors	10,022,417	18%	4,757,499	16%
200 following largest debtors	7,982,355	16%	3,593,137	12%
500 following largest debtors	4,818,215	10%	1,145,846	4%
Above 500 following largest debtors	1,800,097	4%	20,663	0%
Total	50,666,607	100%	29,884,464	100%

c. Allowance for expected losses associated with credit risk

Changes in the allowance for expected losses associated with credit risk are as follows:

	2020	2019
Opening balances for the year	(1,179,029)	(663,489)
Reversal/(accrual) of allowance	(366,160)	(392,081)
Provision transferred to credit portfolio	(316,551)	(140,628)
Other	(21,230)	17,169
Closing balances for the year	(1,882,970)	(1,179,029)
Breakdown of closing balances		
Allowance for loan losses	(1,882,970)	(1,179,029)

d. Renegotiation/recovery of credits written off as loss

As at December 31, 2020, the amount of R\$3,974,087 were due to credit renegotiation (December 31, 2019 – R\$2,005,488). Also in the year ended December 31, 2020 there were R\$27,971 written off loans recovered (December 31, 2019 – R\$35,739).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, otherwise indicated)

11. Other receivables/obligations

a. Foreign Exchange portfolio

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	5,514,014	11,467,369	8,038,746	22,514,109
Rights on foreign exchange sales	13,867,773	-	24,036,550	-
(-) Advances in foreign currency received	(2,177)	-	-	-
(-) Advances in local currency received	(320)	-	(1,655)	-
Liability for foreign exchange purchase	-	7,674,185	-	9,276,925
Total	19,379,290	19,141,554	32,073,641	31,791,034
Current	19,373,261	19,127,129	32,073,641	31,791,034
Long-term	6,029	14,425	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$1,126,263 (December 31, 2019 - R\$1,102,108).

b. Securities trading and brokerage

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	422,002	216,833	334,575	219,939
Unsettled financial assets / liabilities	53,026	668,755	641	705,270
Pending settlement	4,437,251	2,745,303	4,101,163	2,221,869
Creditors for stock loans	-	51,005	-	104,774
Other securities trading and brokerage	-	125,925	-	22,117
Commissions and brokerage payable	135,368	1,419,486	91,146	1,560,960
Swap brokerage	-	-	154	-
Total	5,047,647	5,227,307	4,527,679	4,834,929
Current	5,047,647	5,227,307	4,527,679	4,834,929
Long-term	-	-	-	-

“Pending settlement” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial assets agreements at B3 S.A., and abroad through prime brokers, on the Bank’s behalf or on behalf of third parties, on the regular term.

“Other securities trading and brokerage” basically represents, in assets, intermediation transactions from time deposits to be settled, and in liabilities, it refers basically to the short position of foreign governments bonds to be settled, on the regular term.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2020
(In thousands of reais, otherwise indicated)

12. Other receivables

a. Income receivable

	<u>2020</u>	<u>2019</u>
Dividends and bonus	135,064	128,454
Receivables from services rendered	120,614	83,801
Rights on energy sales	684,384	198,669
Management and performance fees for investment funds and portfolio	385,422	658,265
Distribution fees	8,736	7,232
Commissions on guarantees	60,641	23,100
Total	<u>1,394,861</u>	<u>1,099,521</u>
Current	1,385,346	1,084,188
Long-term	9,515	15,333

b. Sundry

	<u>2020</u>	<u>2019</u>
Sundry	1,896,874	1,467,704
Judicial deposits	1,629,330	1,762,213
Taxes recoverable to offset	605,928	757,972
Securities and credits receivable		
Without loan characteristics	2,448,972	1,956,922
Investment properties	450,864	487,965
Salaries advances	49,026	34,476
Other	272,054	331,208
Total	<u>7,353,048</u>	<u>6,798,460</u>
Current	3,251,041	1,121,051
Long-term	4,102,007	5,677,409

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities					
	Shareholders' Equity		Net income (loss)		Interest	
	2020	2019	2020	2019	2020	2019
In Brazil						
Banco Pan S.A. (iii)	5,317,468	4,926,168	655,569	515,935	44.85%	39.50%
Too Seguros S.A.	332,791	346,774	86,697	69,065	51.00%	51.00%
Pan Corretora S.A.	42,309	55,432	41,029	54,094	51.00%	51.00%
Eneva S.A.	7,278,859	-	-	-	22,93%	0.00%
Abroad						
BTG Pactual Holding S.A.R.L.	5,482,135	5,651,699	(607,687)	1,088,642	41.03%	41.03%
EFG International (i) (ii)	9,397,958	6,719,738	278,870	210,157	29.39%	29.39%

(i) On December 31, 2020, the equity on EFG include total return swap in the amount of CHF46,686.

(ii) The equity accounting result related to the investment in EFG recognized during the period ended September 30, 2020 comprises the income generated by the investee for the first half of 2020, as a result of the late disclosure of its financial information.

(iii) Banco PAN has a tax credit balance of R\$3.5 billion, substantially recognized based on a study of the current and future scenario approved by its Management.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, otherwise indicated)

	Changes in investments						2020	Equity pickup from associates in 2019
	2019	Acquisition / Increase / Transfer / (Sales)	Dividends paid	Fair value adjustment	Exchange variation	Equity pickup from associates		
In Brazil								
Banco Pan S.A.	1,855,329	370,473	(114,325)	(3,940)	-	277,497	2,385,034	330,252
Negative Goodwill - Banco Pan	(85,055)	81,780	-	-	-	-	(3,275)	-
Pan Corretora S.A.	28,270	-	(27,618)	-	-	20,925	21,577	27,588
Too Seguros S.A.	176,853	-	(50,664)	(682)	-	44,215	169,722	35,223
Eneva S.A. (iv)	-	3,756,636	-	-	-	-	3,756,636	-
Other	7,618	3,423	-	-	-	2,380	13,421	191
Total	1,983,015	4,212,312	(192,607)	(4,622)	-	345,017	6,343,115	393,254
Abroad								
BTG Pactual Holding S.A.R.L. (i)	2,318,892	(372,731)	(205,723)	35,993	722,223	(249,334)	2,249,320	446,670
Engelhart CTP Group S.A. (i) (ii)	-	-	-	-	-	-	-	13,987
EFG International (i)	1,974,931	8,208	(138,016)	(49,035)	884,012	81,960	2,762,060	61,765
Goodwill - EFG International (i) (iii)	993,054	-	-	-	381,299	(280,176)	1,094,177	(138,166)
	5,286,877	(364,523)	(343,739)	(13,042)	1,987,534	(447,550)	6,105,557	384,256
Total	7,269,892	3,847,789	(536,346)	(17,664)	1,987,534	(102,533)	12,448,672	777,510

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

(i) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to the exchange rate variation.

(ii) See note 2.

(iii) See note 17a.

(iv) Eneva's shares were received in a debt renegotiation and were recorded under Securities. On the base date of December 31, 2020, management reassessed its intention and accounting classification on the investment in the company and took the decision to reclassify the participation as a Permanent Investment. The transfer between accounting items was carried out at market value (accounting practice before reclassification). After reclassification, in accordance with the accounting practices applicable to Financial Institutions, the measurement of this asset will be made using the equity pickup and will be the basis for periodic reviews to meet the concept of recoverable value, at least semi-annually or when there are objective signs of impairment captured by management through external and internal sources.

14. Intangible assets

	Changes in Intangible assets				2020
	2019	Acquisitions / Transfer / Write off	Amortization expenses	Exchange variation	
Intangible assets					
Cost	473,614	32,334	-	68,105	574,053
Amortization	(282,724)	91,537	(27,582)	(39,451)	(258,220)
Total	190,890	123,871	(27,582)	28,654	315,833

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	2020					2019	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	56,964,334	23,192,067	31,804,338	1,777,579	190,350	-	22,148,709
Open market funding	60,161,895	59,193,457	390,659	113,383	-	464,396	35,006,542
Funds from securities issued and accepted	42,314,111	2,354,923	21,673,054	8,652,225	5,918,320	3,715,589	22,720,479
Loans and borrowings	6,643,207	2,218,705	189,717	206,906	1,254,480	2,773,399	4,178,903
Subordinated debts and subordinated debt eligible to equity	7,456,556	10,625	752,402	2,112,044	154,675	4,426,810	7,479,567
Total	173,540,103	86,969,777	54,810,170	12,862,137	7,517,825	11,380,194	91,534,200

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

b. Deposits

	2020					2019	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	2,655,156	2,655,156	-	-	-	-	624,855
Interbank deposits	1,569,295	1,243,209	174,389	-	151,697	-	261,935
Time deposits	52,739,883	19,293,702	31,629,949	1,777,579	38,653	-	21,261,919
Total	56,964,334	23,192,067	31,804,338	1,777,579	190,350	-	22,148,709

c. Open market funding

Open market funding has collateral on the following securities:

	2020					2019	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	36,614,052	36,261,665	352,387	-	-	-	10,802,366
Federal government bonds	34,136,364	34,136,364	-	-	-	-	8,986,414
Corporate securities	2,187,870	1,835,483	352,387	-	-	-	1,421,883
Foreign securities	247,357	247,357	-	-	-	-	67,156
Foreign government bonds	42,461	42,461	-	-	-	-	326,913
Third-party portfolio	18,590,387	18,563,564	26,823	-	-	-	19,170,982
Federal government bonds	18,566,182	18,539,359	26,823	-	-	-	19,129,708
Corporate bonds	4,605	4,605	-	-	-	-	22,252
Foreign securities	-	-	-	-	-	-	6,317
Foreign government bonds	19,600	19,600	-	-	-	-	12,705
Unrestricted portfolio (i)	4,957,456	4,368,228	11,449	113,383	-	464,396	5,033,194
Federal government bonds	4,943,108	4,353,880	11,449	113,383	-	464,396	4,894,003
Foreign securities	-	-	-	-	-	-	87,741
Foreign government bonds	14,348	14,348	-	-	-	-	51,450
Total	60,161,895	59,193,457	390,659	113,383	-	464,396	35,006,542

(i) From the unrestricted portfolio, R\$4,370,758 (December 31, 2019 – R\$3,556,112) refers to short position and R\$586,698 (December 31, 2019 – R\$269,164) to third-party portfolio.

d. Funds from securities issued and accepted

	2020					2019	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	29,312,146	1,882,321	21,302,151	5,566,933	530,541	30,200	13,321,782
Financial bills	23,718,574	800,591	18,840,060	3,677,158	392,583	8,182	8,992,294
Mortgage bonds/letters of credit for agribusiness	5,361,812	1,066,649	2,409,154	1,795,365	70,079	20,565	4,153,084
Certificates of structured transactions	231,760	15,081	52,937	94,410	67,879	1,453	176,404
Securities – abroad	13,001,965	472,602	370,903	3,085,292	5,387,779	3,685,389	9,398,697
Medium term notes	8,312,534	403,528	322,392	3,043,869	4,542,745	-	5,992,714
Fixed rate notes and others	4,689,431	69,074	48,511	41,423	845,034	3,685,389	3,405,983
Total	42,314,111	2,354,923	21,673,054	8,652,225	5,918,320	3,715,589	22,720,479

As at December 31, 2020, securities in Brazil were basically indexed to interest referenced rates (CDI) between 60% and 127% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.55% p.a. (December 31, 2019 – indexed to (CDI) between 85% and 105% or inflation indexes (IPCA and IGPM) plus 1.6% p.a. to 7.55% p.a.).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

On December 31, 2020, securities abroad have rates between 3.0% p.a. and 7.39% p.a. (December 31, 2019 – between 3.5% p.a. and 7.09% p.a.).

e. Loans and onlending

	2020						2019
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	2,801,087	2,203,183	156,827	105,350	335,727	-	1,437,598
Foreign currency	876,813	629,866	156,827	90,120	-	-	1,158,410
Loans abroad	1,924,274	1,573,317	-	15,230	335,727	-	279,188
Loans - Brazil	3,458	-	-	3,458	-	-	-
Loans	3,458	-	-	3,458	-	-	-
Borrowings in Brazil	3,838,662	15,522	32,890	98,098	918,753	2,773,399	2,741,305
FINAME/BNDES	3,838,662	15,522	32,890	98,098	918,753	2,773,399	2,741,305
Total	6,643,207	2,218,705	189,717	206,906	1,254,480	2,773,399	4,178,903

On December 31, 2020, securities abroad have rates between 1.35% p.a. and 8.0% p.a. (December 31, 2019 – between 1.69% p.a. and 9.23% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	2020				2019	
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - RS (i)	4,161,000	15/04/2011	15/04/2069	Inflation plus fixed rates	769,159	2,137,312
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	2,122,542	1,616,839
Subordinated debt - CLP (ii)	391,410	01/01/2019	01/11/2028	2.40%	538,951	384,662
Subordinated debt eligible to equity - RS	874,369	23/12/2014	15/04/2069	4.85% to 14.2%	897,482	914,266
Subordinated debt eligible to equity - US\$ (ii)	600,000	15/02/2019	15/02/2029	7.75%	3,128,422	2,426,488
Total					7,456,556	7,479,567

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) On February 12, 2019, the Bank reported its shareholders and the market, the issuance of Subordinated Notes, issued through Cayman Islands branch, in the amount of US\$600,000 at a fixed coupon of 7.750% per year, with a maturity date of February 15, 2029, and callable in five years.
- (iii) The subordinated debt was issued by Banco BTG Pactual Chile S.A.

16. Other obligations

a. Social and statutory

	2020	2019
Dividends and profit sharing payable	1,072,794	547,197
Employees' profit sharing	1,298,740	969,309
Total	2,371,534	1,516,506
Current	2,371,534	1,516,506
Long term	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

b. Tax and social security

	<u>2020</u>	<u>2019</u>
Tax and contributions to be collected	159,808	102,617
Tax and contribution payable	585,722	644,711
Total	<u>745,530</u>	<u>747,328</u>
Current	745,530	747,328
Long term	-	-

c. Sundry

	<u>2020</u>	<u>2019</u>
Payable for acquisition of assets and rights (i)	202,549	196,528
Accounts payable - personnel	360,294	509,298
Other creditors - Brazil	5,613,648	5,131,008
Other creditors - Abroad	122,151	70,923
Other	26,314	22,922
Total	<u>6,324,956</u>	<u>5,930,679</u>
Current	4,893,971	2,573,180
Long term	1,430,985	3,357,499

(i) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A.).

17. Contingent assets and liabilities and legal obligations

The Bank's and its subsidiaries' Management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings. Management's judgment is based on the opinion of its internal and external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

On the year ended December 31, 2020, the Bank recorded gains from two arbitration proceedings agreement, described as follows:

The Bank recorded a gain of R\$216.5 millions as a result of a definitive agreement celebrated in an arbitration process, duly probated by the respective arbitration court. Both arbitration and settlement agreement are subject to an confidentiality obligation.

A favorable outcome was reached, for the Bank, in the amount of R\$204.6 millions, in the arbitration process regarding the Bank's acquisition of BSI, due to legal implications from the time BSI belonged to Assicurazioni Generali S.P.A. As a result, given the informacion relevance and also aiming the best presentation of the economic fundamentals in the consolidated financial statements that involve this outcome, the context of this negotiation and, subsequently the sale of BSI to EFG, the Bank adjusted the goodwill from the original acquisition, although it still presents the economical premises that gave rise to it when we observe the results of previous periods and future perspectives, had its realization in this period of R\$206.8 millions.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are recorded based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

For civil lawsuits with chances of unfavourable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on estimate of probable losses based on the opinion of internal and external legal counsel.

iii. Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counselors and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at December 31, 2020 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the year ended December 31:

	2020			2019	
	Tax	Civil	Labor	Total	
Balance at the beginning of the year	1,535,594	102,589	49,012	1,687,195	1,648,713
Recognition	39,607	142,570	2,268	184,445	106,108
Write-off	(16,155)	(74,312)	(4,690)	(95,157)	(67,626)
Balance at the end of the year	<u>1,559,046</u>	<u>170,847</u>	<u>46,590</u>	<u>1,776,483</u>	<u>1,687,195</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

i. Suspended payment taxes and other taxes liabilities

BTG Pactual Group has been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed as probable loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

COFINS (“Social security financing tax”) - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

As at December 31, 2020, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, in which is questioned the levy and payment of social security contribution on these values and its deductibility on the income tax and social tax base. The amount claimed is R\$894 million. Part of this amount is secure by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits regarding the demutualization and IPO of B3 S.A., in which is questioned the taxation of PIS and Cofins on revenues earned from the sale of shares of the company’s previously mentioned. The amount claimed is R\$27 million and part of it is secure by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- On December 2015, the Bank received a tax assessment in the amount of R\$1,851 billion, referring to events occurred on 2010 and 2011, where they judged as undue our use of the goodwill originated in the acquisition of the Bank by UBS, held on 2006, as well as in the buyback of the Bank by BTG, on 2009. An appeal was filed against this tax assessment on the Administrative Council of Tax Appeals, which ruled partially favorable of reducing the amount of the assessment on R\$278 million. In opposition to the unfavorable piece, the Bank filed another appeal to the same institution in February 2019, it was deemed valid in relation to the use of the goodwill generated in the Bank’s acquisition operations by UBS. In addition, on December 2017, the Bank received another tax assessment in the amount of R\$899 million, referring to 2012 events, where they believe happened the wrongfully use of goodwill originated from the Bank acquisition by UBS on 2006, also the goodwill from the repurchase by the Bank on 2009 and the goodwill originated in the private subscription of shares made by investors through the Copa Prince Company, in 2011. On October, 2019, the second administrative instance partially ruled as reasonable the cancelation of the goodwill generated on the private capital subscription made by investors through Copa Prince Company. An appeal was filed against the unfavorable piece. On December 2018, a tax assessment was received, in the amount of R\$451 million, related to the period of 2013. Against this assessment an appeal was filed, which is awaiting ruling of the second administrative instance. Lastly, on February 2019 a tax assessment was received, in the amount of R\$272 million, related to the period of 2014. Against this assessment an appeal was filed, which is awaiting ruling of the first administrative instance. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal itself) related to this matter and have not established (and do not expect to) any related contingencies on its financial statements. Besides the reviews as to the legitimacy of these tax assessments, in case the Bank has to

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

incur losses, it also believes is entitled to be reimbursed by its controller shareholder for a part of the losses. Thus, in no event the BTG Pactual expect to incur any material losses in connection with this matter.

- On December 2017, the Bank received a tax assessment which it is discussed insufficient tax collection of PIS and COFINS and imposes isolated fine, referring to the year of 2012, in the amount of R\$198 million. Against the assessment, an appeal was presented, which awaits trial in second administrative instance.
- On December 2017, in the capacity of the Banco Pan S/A sponsor, the Bank received a tax assessment of allegedly due income tax on the sale of investment in Brazil by a foreign party, referring to the year of 2012, in the amount of R\$78 million. Against the assessment an administrative appeal was presented, which awaits trial in second administrative instance.
- On December 2017, the Bank received a tax assessment that seeks to collect income tax on the supposed capital gains on corporate incorporation - when One Properties was incorporated by BR Properties -, in the amount of R\$1,124 million. Against the assessment, an appeal was presented, which awaits trial in second administrative instance.
- On December 2018, the Asset Manager received a tax assessment in total amount of R\$97 million for events that occurred in 2013 and 2014, regarding the amortized goodwill from the acquisition of BRFE in 2012. On September 2019 an unfavorable decision was ruled by the first instance court. Against this decision, and administrative appeal was presented on the second administrative instance.
- On December 2018, the Bank was made aware of the non-approval compensation of the negative balance of income tax, related to 2013, in the amount of R\$72 million. On June 2019 an unfavorable decision was ruled by the court on the first administrative instance. Against the decision, an appeal was presented, which awaits trial in second administrative instance. On March 2019, the Bank was made aware of the non-approval compensation of the negative balance of social contribution (CSLL), regarding the same year, in the amount of R\$67 million. On August 2019, an unfavorable decision was ruled to the Bank in the first administrative instance. Against this decision, and administrative appeal was presented on the second administrative instance.
- On September 2019, in the capacity of Banco Sistema S/A's sponsor, the Bank received a tax assessment that seeks to collect income tax, social contribution, PIS and COFINS, in the total amount of R\$3.511 billion, regarding the acquisition of Banco Bamerindus do Brasil (current Banco Sistema) in 2014. On October 2019, an appeal was filled on the first administrative instance, of which awaits trail. Based on the prognosis disclosed by its legal team, the Bank didn't record any provision on its financial statements, furthermore the Administration doesn't expect to incur in any loss regarding this matter.
- In March 2020, the Bank received a tax assessment charging income tax, social contribution, PIS and COFINS related to the capital gain on the sale of Rede D'or's shares, in 2015, in the amount of R\$583 million. In April 2020, an appeal was filed at the first administrative level, which is waiting judgment.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

ii. Provision for other contingent liabilities

As at the year ended December 31, 2020 and 2019, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

Income tax and social contribution	2020	2019
Tax base	4,934,549	4,831,382
Income before taxes and profit sharing	6,126,038	5,978,403
Statutory profit sharing	(1,285,224)	(1,116,362)
Non-controlling interest	93,735	(30,659)
Total charge of income tax and social contribution at the current rates	(2,220,547)	(1,943,916)
Permanent (additions) / deductions in taxation calculation	(479,010)	1,417,268
Equity pick up in associated and jointly controlled companies in Brazil	(155,626)	157,007
Interest on equity	427,695	452,328
Dividends	64,531	25,749
Fair value of securities and derivatives	(1,066,003)	947,023
Allowance for expected losses associated with credit risk	(81,740)	(125,892)
Other non-deductible expenses net of non-taxable income	332,133	(38,947)
Tax and social contribution expense	(2,699,557)	(526,648)
(Expenses) / Revenues from deferred taxes	1,741,390	(476,422)
Total revenues / (expenses)	(958,167)	(1,003,070)

Income tax and social contributions are calculated and recorded in accordance with the criteria established by Bacen Circular Letter 3059/02, taking into account the period of realization.

Changes in deferred tax assets are presented as follows:

Income tax and social contribution	2019	Recognition	Realization	2020
Tax loss	1,339,748	-	(329,895)	1,009,853
Interest on equity	243,450	493,200	(483,300)	253,350
Allowance for expected losses associated with credit risk	923,160	975,368	-	1,898,528
Fair value of securities and derivatives	1,682,855	1,157,304	-	2,840,159
Tax contingencies and provision for suspended-payment taxes	239,944	6,403	-	246,347
Other temporary differences	452,430	61,796	-	514,226
Total	4,881,587	2,694,071	(813,195)	6,762,463
Income tax and social contribution	2018	Recognition	Realization	2019
Tax loss carryforwards	1,488,833	167,048	(316,133)	1,339,748
Interest on equity	241,800	243,450	(241,800)	243,450
Allowance for expected losses associated with credit risk	669,902	253,258	-	923,160
Fair value of securities and derivatives	2,490,288	133,590	(941,023)	1,682,855
Tax contingencies and provision for suspended-payment taxes	213,633	27,774	(1,463)	239,944
Other temporary differences	289,287	163,143	-	452,430
Total	5,393,743	988,263	(1,500,419)	4,881,587

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2021	1,560,992	379,270	1,940,262
2022	966,826	106,749	1,073,575
2023	942,194	103,912	1,046,106
2024	1,201,928	92,703	1,294,631
2025 onwards	1,080,670	327,219	1,407,889
Total	5,752,610	1,009,853	6,762,463
Present value	4,848,650	883,173	5,731,823

The line of "deferred tax assets" also has PIS and COFINS deferred tax credits in the amount of R\$451,295 (December 31, 2019 - R\$293,101).

Deferred income tax and social contribution liabilities amounts to R\$56,157 (December 31, 2019 - R\$72,227).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 6, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

On November 12, 2019, Constitutional Amendment nº 103 was published, which increased the social contribution percentage on Net Income for financial institutions from 15% to 20% of taxable income, effective as of March 1, 2020.

19.Shareholders equity

a. Capital

As at December 31, 2020, fully subscribed and paid in capital consists of 2,712,706,972 shares (December 31, 2019 – 2,637,236,572), of which 1,756,433,722 are common shares (December 31, 2019 – 1,731,276,922), 606,916,910 are class A preferred shares (December 31, 2019 – 556,603,310), 349,356,340 are class B preferred shares (December 31, 2018 – 349,356,340), registered shares without par value.

As described on Note 2, on June 29, 2020, the Bank made a public offering of newly issued shares, on best efforts underwriting, of 35,625,000 Units, composed of 35,625,000 common shares and 71,250,000 preferred shares.

On July 5, 2019, a change in the Bank's share capital occurred, due to a conversion request made by BTG Pactual Holding Financeira Ltda. of 100,000,000 class B preferred shares issued by the Bank into 100,000,000 class A preferred shares.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

The common shares have right to one vote each in the deliberations of the General Shareholders Meeting and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

Preferred shares Class A and B have no right to vote and have priority in capital reimbursement, without premium, and participate on equal terms with the common shares in the profits distribution.

The Class A Preferred Shares shall have the right to be included in a acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Bank and (iii) conversion is in accordance with the Bank's Shareholders' Agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Bank Shareholders' Agreement.

b. Treasury shares

During the year ended December 31, 2020, the Bank bought its own units, in the amount of R\$92,712, equivalent to 3,378,900 units. (December 31, 2019 - R\$37,240, equivalent to 730,500 units). On the year ended December 31, 2020 there were R\$258.496, equivalent to 10,468,200 units cancelled. (December 31, 2019 the were no units cancelled). On December 31, 2020, the Bank has no treasury shares.

c. Legal reserve

This reserve is established at the rate of 5% of net income for the year, before any other allocation, limited to 20% of capital.

d. Statutory reserve

According to the Bank's by laws, the purpose of this reserve is to maintain working capital and is limited to the balance of capital.

e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

f. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income adjusted in accordance with Article 202 of Law 6404/76.

During the year ended December 31, 2020, the Bank provisioned R\$1,096,000, relating to interest on equity, equivalent to R\$0.42 per share, which generated R\$493,200 in tax benefits. These amounts were approved in the Special Shareholders' Meeting held on July 17, 2020 and December 30, 2020.

On December 27, 2019, the Bank has accrued R\$541,000, relating to interest on equity, equivalent to R\$0.21 per share, which generated R\$216,400 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 27, 2019 and the payment occurred on February 17, 2020.

On August 5, 2019, the Bank has accrued R\$624,000, relating to interest on equity, equivalent to R\$0.24 per share, which generated R\$249,600 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 5, 2019 and the payment occurred on August 15, 2019.

g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income	
	2020	2019	2020	2019
Banco BTG Pactual S.A.	26,680,655	21,332,170	3,280,125	3,927,617
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A. (i)	-	54,465	-	-
Others (ii)	-	-	696,257	(99,305)
Banco BTG Pactual S.A. Consolidated	<u>26,680,655</u>	<u>21,386,635</u>	<u>3,976,382</u>	<u>3,828,312</u>

(i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting. During the year ended on December, 2020, the difference between individual and consolidated were equalized.

(ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

20. Income from services rendered

	<u>2020</u>	<u>2019</u>
Management and performance fee from investment funds and portfolios	1,208,993	1,026,611
Professional services	1,243,831	993,292
Brokerage	555,432	331,783
Guarantees	387,934	281,557
Commission over securities placement	778,845	446,459
Other services	10,095	14,865
Total	<u>4,185,130</u>	<u>3,094,567</u>

21. Other operating income

	<u>2020</u>	<u>2019</u>
Adjustment of amounts receivable for acquisition of investments	294,303	68,157
Foreign exchange rate gains	446,076	129,150
Reversal of provision	53,457	16,484
Monetary correction over judicial deposits	34,957	59,330
Recovery of charges and expenses	17,083	3,687
Other operating income	56,384	18,708
Total	<u>902,260</u>	<u>295,516</u>

22. Other operating expenses

	<u>2020</u>	<u>2019</u>
Foreign exchange expenses	819,638	198,958
Adjustment of amounts payable for acquisition of investments	181,927	89,512
Goodwill amortization	32,170	18,203
Discounts granted in renegotiation	18,134	27,335
Other	111,294	33,046
Total	<u>1,163,163</u>	<u>367,054</u>

23. Other administrative expenses

	<u>2020</u>	<u>2019</u>
Outsourced services and consulting	563,964	426,065
Telecommunications and data processing	531,526	344,932
Leases and condominiums	117,776	99,634
Expenses of the financial system	306,743	209,024
Advertising and public relations	109,362	105,947
Depreciation and amortization	60,711	59,054
Travel and lodging	21,698	56,311
Other	51,699	26,605
Total	<u>1,763,479</u>	<u>1,327,572</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

24. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, which are all carried at arm's length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Interbank investments						
deposits	-	-	502,285	479,451	502,285	479,451
Derivative financial instruments	-	-	332,558	18,623	332,558	18,623
Loans and Receivables	4,296,749	3,319,030	-	-	4,296,749	3,319,030
Liabilities						
Time deposits	(135,247)	(94,605)	-	-	(135,247)	(94,605)
Derivative financial instruments	-	-	(181,944)	(185,694)	(181,944)	(185,694)
Open market funding	-	-	(1,432,661)	(710,000)	(1,432,661)	(710,000)
Funds from securities issued and accepted	(3,514,229)	(2,468,477)	(61,960)	-	(3,576,189)	(2,468,477)
Sundry	-	-	(71,016)	(18,623)	(71,016)	(18,623)
	Parent company		Subsidiaries and joint controlled entities		Total	
	2020	2019	2020	2019	2020	2019
Statements of income						
Financial income	-	-	18,423	26,200	18,423	26,200
Financial expenses	(3,129)	(15,675)	(423,961)	(71,790)	(427,090)	(87,465)
Other operating income / (expenses)	40,435	16,998	7,771	(28,372)	48,206	(11,374)

(i) Includes natural person.

On December 31, 2020, investments in interbank deposits between related parties are negotiated to 100% price index (IPCA).

On December 31, 2020, open market funding and deposits from related parties have fixed rates at 1.89% apr. and rates indexed to 100% of the reference interest rate (CDI) or price index (IPCA and IGMP) plus a fixed rate up to 1.89%.

Total compensation paid to key management personnel totaling this year R\$18,808 (December 31, 2019 – R\$14,500) which is considered short term benefit.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

25. Earnings per share

	<u>2020</u>	<u>2019</u>
Net income for the year	3,976,382	3,828,312
Weighted average per thousand of common shares outstanding in the year	1,741,573	1,731,277
Weighted average per thousand of common shares held in treasury	1,908	6,549
Net income for the year per common share - basic	2.28	2.21
Net income for the year per common share - diluted	2.29	2.22
Weighted average per thousand of class A preferred shares outstanding in the year	577,196	459,891
Weighted average per thousand of class A preferred shares held in treasury	3,817	13,098
Net income for the year per class A preferred shares - basic	6.89	8.32
Net income for the year per class A preferred shares - diluted	6.93	8.57
Weighted average per thousand of class B preferred shares outstanding in the year	349,356	446,069
Net income for the year per class B preferred shares - basic and diluted	11.38	8.58
Weighted average per thousand of shares outstanding in the year	2,668,125	2,637,237
Weighted average per thousand of shares held in treasury	5,725	19,647
Net income per share - basic	1.49	1.45
Net income per share - diluted	1.49	1.46

26. Other information

Cash and cash equivalents

	<u>2020</u>	<u>2019</u>
Balances at beginning of the year		
Cash and cash equivalents	1,333,793	979,185
Open market investments	18,651,392	23,075,514
Interbank deposits	1,533,506	2,604,551
Total	<u>21,518,691</u>	<u>26,659,250</u>
Balances of end of the year		
Cash and cash equivalents	1,794,059	1,333,793
Open market investments	40,175,098	18,651,392
Interbank deposits	2,437,242	1,533,506
Total	<u>44,406,399</u>	<u>21,518,691</u>

Commitments and responsibilities

The Bank's and its subsidiaries' main commitments and responsibilities are as follows:

	<u>2020</u>	<u>2019</u>
Co-obligation and risks for guarantees granted	62,645,262	37,263,529
Responsibility for the management of futures and investment portfolio (i)	349,599,848	288,127,182
Securities	161,997,910	58,843,624
Securities under custody	1,249,696,343	1,165,779,556
Securities trading and brokerage	3,390,389,602	5,138,223,360
Loans contract to release	2,469,412	1,786,924
Commitments to be released	115,800	11,000

(i) Recognized by the sum of the equity values of funds and investment portfolios

“Co-obligations and risks for guarantees granted” mainly comprises guarantees granted or assets allocated to exchange trading securities.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2020

(In thousands of reais, except otherwise indicated)

“Securities under custody” reflects third-party public and private security positions under custody with SELIC and B3 S.A.

“Securities trading and brokerage” represents amounts from derivatives purchase and sale agreements related to third-party transactions.

“Loans contracted to release” register amounts related to loans contracted with clients to release.

The item “Commitments to be released” registers amounts related to the financial commitments of the Bank with its investees.

Non-recurring Items

- R\$64,3 million due to goodwill amortization and exclusive rights.
- R\$22.7 million related to projects to combat Covid-19.
- R\$6 million related to administrative expenses.

27.Subsequent events

Global Medium Term Notes Issuance

On January 6, 2021, the Bank, through its Cayman Island’s branch, issued Global Medium Term Notes to be used for the financing or refinancing of eligible green and/or social projects, in the total amount of US\$500 million at a fixed coupon rate of 2.75% p.a., with maturity date on January 11, 2026, and semi-annually coupon payments.

Primary Public offering

On January 13, 2021, the Bank made a public offering of newly issued shares, on best efforts underwriting, of 27,777,778 Units, composed of 27,777,778 common shares and 55,555,556 preferred shares. The bookbuilding process was concluded with a price of R\$92.52 per Unit, therefore R\$30.84 per share, resulting in an offering of R\$2,570,000, amount which corresponds to the Bank's Capital increase.

Interest on equity payment

The interest on equity deliberate during the year ended December 31, 2020, was paid on February 5, 2021.