



Banco BTG Pactual S.A.

a *sociedade por ações* incorporated in the Federative Republic of Brazil
(acting through its principal office in Brazil or through its Cayman Islands Branch)

US\$5,000,000,000

Global Medium-Term Note Programme

Under its global medium-term note programme (the "Programme"), Banco BTG Pactual S.A., acting through its principal office in Brazil or through its Cayman Islands Branch (the "Issuer"), may from time to time issue medium-term notes (the "Notes") denominated in such currencies as may be agreed with the Dealers (as defined below). The Notes may be issued on a continuing basis to one or more of the Dealers. The Notes will have maturities from 30 days to 30 years from the date of issue (except as set out herein). The Notes will bear interest on a fixed or floating rate basis, or be issued on a fully discounted basis and not bear interest. Subject to the terms set forth herein, the maximum aggregate nominal amount of all Notes issued and outstanding under the Programme will not exceed US\$5,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject to the terms set forth herein). Notes will be issued in one or more series (each a "Series") having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each a "Tranche") on different issue dates. Details applicable to each Tranche and Series will be specified in a supplement to this Offering Memorandum (the relevant "Final Terms"). Investing in the Notes involves risks. See "Risk Factors" included in this Offering Memorandum.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF market, which is not a regulated market within the meaning of Directive 2014/65/EU concerning markets in financial instruments, as amended (the "MIFID II"). However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or traded on the Euro MTF market of the Luxembourg Stock Exchange or any other stock exchange and/or market, and the Final Terms applicable to a Series will specify whether or not the Notes of such Series will be listed and admitted to trade on the Euro MTF market of the Luxembourg Stock Exchange or any other stock exchange and/or market. With respect to the Programme and any listed Notes issued under the Programme, there can be no assurance that a listing on the Official List of the Luxembourg Stock Exchange or any other stock exchange will be achieved prior to the issue date of any Notes or otherwise. In relation to the Notes listed on the Official List of the Luxembourg Stock Exchange, this Offering Memorandum is valid for a period of 12 months from the date hereof.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes, the relevant Final Terms will also specify if the relevant credit rating has been (a) issued by a credit rating agency established in the European Economic Area ("EEA") and registered under (EU) No. 1060/2009, as amended (the "CRA Regulation"), or (b) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation.

In general, European regulated investors are restricted under the CRA Regulation from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (a) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (b) the rating is provided by a credit rating agency not established in the EEA or registered under the CRA Regulation but such rating is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (c) the rating is provided by a credit rating agency not established in the EEA or registered under the CRA Regulation but which is certified under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Notes of each Tranche of each Series to be issued in bearer form ("Bearer Notes" comprising a "Bearer Series") will initially be represented by interests in a temporary Global Note or by a permanent Global Note, in either case in bearer form (a "Temporary Global Note" and a "Permanent Global Note," respectively), without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear") on the relevant issue date. Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "Exchange Date"), upon certification as to non-U.S. beneficial ownership.

Notes of each Tranche of each Series to be issued in registered form ("Registered Notes" comprising a "Registered Series"), and which are sold in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), will initially be represented by interests in a definitive global unrestricted Registered Note (each an "Unrestricted Global Note"), without interest coupons, which will be deposited with either (a) a common depository for, and registered in the name of a nominee of a common depository for, Clearstream, Luxembourg and Euroclear on its issue date (each a "European Unrestricted Global Note"), or (b) a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") (each a "DTC Unrestricted Global Note"). Beneficial interests in a European Unrestricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. Until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a Registered Series and the issue date thereof, beneficial interests in a DTC Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg. See "Form of Notes; Book Entry and Transfer." Registered Notes sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act that are also qualified purchasers within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), as referred to in, and subject to the transfer restrictions described in "Subscription and Sale" and "Transfer Restrictions," will initially be represented by a definitive global restricted Registered Note (each a "Restricted Global Note") without interest coupons, which will be deposited with either (a) a common depository for, and registered in the name of a nominee of a common depository for, Clearstream, Luxembourg and Euroclear on its issue date (each a "European Restricted Global Note" and together with any European Unrestricted Global Note the "European Global Notes"), or (b) a custodian for, and registered in the name of a nominee of, DTC on its issue date (each a "DTC Restricted Global Note" and together with any DTC Unrestricted Global Note, the "DTC Global Notes"). Beneficial interests in a European Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. Beneficial interests in a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "Form of Notes, Book Entry and Transfer." Individual Definitive Registered Notes will only be available in certain limited circumstances as described herein.

Arranger and Dealer

BTG PACTUAL

The date of this Offering Memorandum is December 3, 2019.

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In this Offering Memorandum, unless the context otherwise requires, references to:

- (i) “ANBIMA” are to *Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais – ANBIMA*;
- (ii) “B3 Exchange” are to B3 S.A. – *Brasil, Bolsa, Balcão* (formerly BM&FBOVESPA S.A. – *Bolsa de Valores, Mercadorias e Futuros*);
- (iii) “Banco BTG Pactual,” “we,” “us,” “our,” or “ourselves” are to Banco BTG Pactual S.A., a corporation (*sociedade por ações*) organized under the laws of Brazil, and its consolidated subsidiaries;
- (iv) “Brazil” are to the Federative Republic of Brazil;
- (v) “Brazilian government” are to the federal government of Brazil;

- (vi) “BSI” are to BSI SA, a Swiss stock corporation (*Aktiengesellschaft*), together with its consolidated subsidiaries, which Banco BTG Pactual acquired in September 2015 and later sold to EFG in November 2016;
- (vii) “BTG Pactual Group” are to Banco BTG Pactual, PPLAI, PPLA Participations and their respective subsidiaries, collectively;
- (viii) “BTG Pactual Holding” are to BTG Pactual Holding S.A., a corporation (*sociedade por ações*), organized under the laws of Brazil, which (A) directly and indirectly, through BTG Pactual Holding Financeira, owns a majority of Banco BTG Pactual’s common shares issued and outstanding and directly and indirectly owns all of Banco BTG Pactual’s capital stock that is part of its Partnership Equity, (B) is owned by the Partners and (C) is controlled by the Controlling Partners through G7 Holding;
- (ix) “BTG Pactual Holding Financeira” are to BTG Pactual Holding Financeira Ltda., a limited liability company (*sociedade empresarial de responsabilidade limitada*), organized under the laws of Brazil which, pursuant to our corporate reorganization on October 26, 2018 (A) directly owns the majority of Banco BTG Pactual’s common shares issued and outstanding, and (B) all of Banco BTG Pactual’s class B preferred shares issued and outstanding, and (C) is controlled by BTG Pactual Holding, which directly holds 99.9% of its share capital;
- (x) “Cayman Islands Branch” are to Banco BTG Pactual, acting through its Cayman Islands branch, which is duly licensed and qualified to do business as a branch of a foreign bank in accordance with the laws of the Cayman Islands, having its registered office at PO Box 1353, Harbour Place, 5th Floor, 103 South Church Street, Grand Cayman KY1-1108, Cayman Islands;
- (xi) “Central Bank” are to the Central Bank of Brazil (*Banco Central do Brasil*);
- (xii) “Controlling Partners” are to the Partners who effectively control Banco BTG Pactual. As of September 30, 2019, the Controlling Partners were Marcelo Kalim, Roberto Balls Sallouti, Antonio Carlos Canto Porto Filho, Renato Monteiro dos Santos and Guilherme da Costa Paes, without giving effect to Marcelo Kalim’s December 2018 announcement to transfer his shares of G7 Holding to BTG Pactual Holding pursuant to which, following receipt of the requisite regulatory approvals to effect such transfer, Marcelo Kalim will cease to be a Controlling Partner. The relevant approval processes with the Central Bank and Banco BTG Pactual’s other applicable regulators remain ongoing;
- (xiii) “EFG” are to EFG International AG, a global private banking and asset management firm headquartered in Zurich, Switzerland, that acquired BSI from the BTG Pactual Group in November 2016 and in which, as of September 30, 2019, Banco BTG Pactual holds a 29.39% interest (such interest comprising investments in shares and investments through other instruments). Banco BTG Pactual entered into a memorandum of understanding with BTG Pactual Holding to transfer approximately 25.0% of the interest in EFG, certain liabilities of Banco BTG Pactual and certain existing and potential future rights and obligations relating to EFG, to BTG Pactual Holding. As of the date of this Offering Memorandum, the proposed transfer of the majority of such equity stake to BTG Pactual Holding is pending regulatory approvals. While such transaction remains pending, the economic rights associated with the majority of Banco BTG Pactual’s stake in such entity were transferred to BTG Pactual Holding on September 30, 2019. For further information, see “Related Party Transactions—Proposed Partial Transfer of Banco BTG Pactual’s Stake in EFG to BTG Pactual Holding” and “—Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual’s Interest in EFG;”
- (xiv) “Engelhart CTP” are to Engelhart Commodities Trading Partners, a Luxembourg-based commodities platform that (i) as of October 2016, operates separately from Banco BTG Pactual following the spin-off of Banco BTG Pactual’s commodities business and (ii) as of October 2016 through September 29, 2019, in which Banco BTG Pactual retained an indirect interest prior to the sale of Neoport on September 30, 2019 to BTG Pactual Holding pursuant to which Banco BTG Pactual currently holds no stake in this entity;

- (xv) “G7 Holding” are to BTG Pactual G7 Holding S.A., the entity through which the Controlling Partners exercise control over Banco BTG Pactual via its ownership of the majority of the voting shares of BTG Pactual Holding;
- (xvi) “IPO units” are to the units listed on the B3 Exchange representing (A) one common share and two preferred shares of our capital stock and (B) one voting share and two non-voting shares of PPLA Participations in the form of Brazilian depositary receipts that were offered in the BTG Pactual Group’s initial public offering, together with certain other global depositary units previously listed on the NYSE Euronext Amsterdam which no longer exist as of the date of this Offering Memorandum;
- (xvii) “Issuer” are to Banco BTG Pactual S.A. without its consolidated subsidiaries, acting through: (i) its principal office in Brazil or (ii) its Cayman Islands Branch, it being understood, however, that business related information shall include Banco BTG Pactual, including its consolidated subsidiaries unless otherwise specified in this Offering Memorandum;
- (xviii) “Merchant Banking Partnership” are to BTG MB Investments L.P., an exempted limited partnership established under the laws of Bermuda, which is owned by the Partners and which directly owns Partners Alpha;
- (xix) “Neoport” are to Neoport Participações S.A., the entity through which Banco BTG Pactual held a stake in Engelhart CTP, among other assets and liabilities more fully described under “Related Party Transactions,” and which was transferred from Banco BTG Pactual to BTG Pactual Holding on September 30, 2019;
- (xx) “Participating Partners” are to the Partners that hold Banco BTG Pactual common and preferred shares (A) through units acquired via open market purchases and (B) as a result of acquiring such shares at the same time, on the same terms and as part of the same transaction, as a consortium of international investors in 2010;
- (xxi) “Partners” are to the individuals who, collectively (together with their family members, trusts or other entities established for their benefit or the benefit of their family members) directly or indirectly hold our common and preferred shares. See “Principal Shareholders;”
- (xxii) “Partners Alpha” are to Partners Alpha Investments LLC, a limited liability company organized under the laws of Delaware, which was a wholly-owned indirect subsidiary of PPLA until March 31, 2010;
- (xxiii) “Partnership Equity” are to our equity awarded to, and held by, the Partners in their capacity as Partners and managers of the BTG Pactual Group and, therefore, which is subject to the restrictions on transfer applicable to our partnership structure, as distinguished from equity held by the Partners acquired at the same time and on the same terms as the consortium of international investors in December 2010 or otherwise acquired on the open market. See “Principal Shareholders;”
- (xxiv) “PPLA GP” are to PPLA GP Management Ltd, an exempted company incorporated under the laws of Bermuda and the holder of one Class C voting common share of the share capital of PPLA Participations, which (A) has no economic rights and (B) is currently held indirectly by the Controlling Partners, pursuant to which the Controlling Partners indirectly control PPLA Participations;
- (xxv) “PPLA Participations” are to PPLA Pactual Participations Ltd, a limited liability exempted company incorporated under the laws of Bermuda, which (A) is the general partner of PPLAI and (B) is the indirect holding company of the partnership interests of PPLAI indirectly purchased by holders of IPO units in the initial public offering of the BTG Pactual Group in April 2012 and which was known as BTG Pactual Participations Ltd. prior to September 6, 2017;
- (xxvi) “PPLAI” are to PPLA Investments L.P., an exempted limited partnership established under the laws of Bermuda, and its consolidated subsidiaries, which was known as BTG Investments L.P., prior to September 6, 2017;

- (xxvii) “Senior Management Team” are to the following individuals: Roberto Balls Sallouti, John Huw Gwili Jenkins, Antonio Carlos Canto Porto Filho, Rogério Pessoa Cavalcanti de Albuquerque, Eduardo Henrique de Mello Motta Loyo, Guilherme da Costa Paes, Renato Monteiro dos Santos, André Fernandes Lopes Dias, João Marcello Dantas Leite; and
- (xxviii) “units” are to units listed on the B3 Exchange and trade on the Level 2 (*Nível 2*) segment thereof representing one common share and two class A preferred shares of Banco BTG Pactual’s capital stock.

This Offering Memorandum constitutes a “base prospectus” for the purposes of the admission to listing on the Official List of the Luxembourg Stock Exchange and to trading of the Notes on the Euro MTF in accordance with the rules and regulations of the Luxembourg Stock Exchange (the “Rules”). The Euro MTF is not a “regulated market” pursuant to Article 44 of MiFID II. The Euro MTF falls within the scope of Regulation (EC) 596/2014 on market abuse and the related Directive 2014/57/EU on criminal sanctions for market abuse. This Offering Memorandum therefore does not comprise a base prospectus for the purposes of Article 8 of the Prospectus Regulation. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129, and includes any relevant implementing measure in the Member State concerned.

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made, in member states of the EEA (each, a “Member State”) pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer in a Member State of the Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so to legal entities which are qualified investors as defined in the Prospectus Regulation, provided that no such offer of the Notes shall require the Issuer or any of the Dealers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the Dealers have authorized, nor do they authorize, the making of any offer of the Notes, to any legal entity which is not a qualified investor as defined in the Prospectus Regulation, provided that no such offer of the Notes shall require the Issuer or any Dealer to publish a prospectus or supplement a prospectus pursuant to the Prospectus Regulation for such offer. Neither the Issuer nor the Dealers have authorized nor do they authorize the making of any offer of the Notes through any financial intermediary, other than offers made by the Dealers which constitute the final placement of the Notes contemplated in this Offering Memorandum. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

IMPORTANT — PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET — The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules

IMPORTANT NOTICE FOR INVESTORS IN THE UNITED KINGDOM — This Offering Memorandum is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

SINGAPORE SFA PRODUCT CLASSIFICATION — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAAN16: Notice on Recommendations on Investment Products).

You should rely only on the information contained in this Offering Memorandum. The Issuer accepts responsibility for the information contained in this Offering Memorandum and confirms that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and contains no omission likely to affect its import. Having made all reasonable inquiries, the Issuer confirms that (i) this Offering Memorandum contains all information with respect to the Issuer and its subsidiaries taken as a whole, the Programme and the Notes to be issued thereunder which is material in the context of the issue and offering of the Notes, (ii) such information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, (iii) the opinions and intentions expressed in this Offering Memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (iv) there are no other facts the omission of which would, in the context of the offering and issue of the Notes hereunder, make any statement in this Offering Memorandum as a whole misleading in any material respect. The Issuer accepts responsibility accordingly. **NO PERSON OTHER THAN BANCO BTG PACTUAL IS AUTHORIZED TO PROVIDE INFORMATION ABOUT THE ISSUER OR THIS PROGRAMME OTHER THAN THAT CONTAINED IN THIS OFFERING MEMORANDUM AND THE DOCUMENTS OTHERWISE REFERRED TO HEREIN AND WHICH ARE MADE AVAILABLE FOR INSPECTION BY THE PUBLIC AS DESCRIBED IN “GENERAL INFORMATION.”**

Neither this Offering Memorandum nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Offering Memorandum or any other information supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each investor contemplating subscribing for or purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, any of the Dealers or the Trustee (as defined herein) to subscribe or purchase, any of the Notes. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. The Issuer and the Dealers do not represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other

offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Memorandum, see “Subscription and Sale.”

The Trustee has not independently verified the information contained herein. Accordingly, the Trustee accepts no liability in relation to the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the Programme. In addition, no representation, warranty or undertaking, express or implied, is made by the Dealer or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Memorandum or any other information provided by the Issuer in connection with the Programme, and nothing contained herein is or shall be relied upon as a promise or representation by the Dealer or the Trustee, whether as to the past or to the future.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, OR REGULATION S). THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AS AMENDED, OR RULE 144A, TO PERSONS WHO ARE “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A), OR QIBS, THAT ARE ALSO “QUALIFIED PURCHASERS” (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), OR QPS, AND FOR LISTING OF THE NOTES ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE (FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A AND THE EXEMPTION FROM THE PROVISIONS OF THE INVESTMENT COMPANY ACT PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT, OR 3(C)(7). FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS.”

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR CVM. ANY PUBLIC OFFERING OR DISTRIBUTION, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS, OF THE NOTES IN BRAZIL IS NOT LEGAL WITHOUT PRIOR REGISTRATION UNDER BRAZILIAN LAW NO. 6,385/76, AS AMENDED, AND INSTRUCTION NO. 400, ISSUED BY THE CVM ON DECEMBER 29, 2003, AS AMENDED. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL (AS THE OFFERING OF THE NOTES IS NOT A PUBLIC OFFERING OF SECURITIES IN BRAZIL), NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL. THE DEALERS HAVE AGREED NOT TO OFFER OR SELL THE NOTES IN BRAZIL, EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING OR DISTRIBUTION OF SECURITIES UNDER APPLICABLE BRAZILIAN LAWS AND REGULATIONS.

The terms and conditions relating to this Offering Memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) (the “CSSF”) for purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except in circumstances where the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus for the purpose of the Prospectus Regulation and the Luxembourg law of July 16, 2019, on prospectuses for securities (the “Prospectus Law”).

This Offering Memorandum is for distribution only to persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investment falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”) or (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. For a description of certain restrictions on offers and sales of Notes and the distribution of this Offering Memorandum in the United Kingdom, see “Subscription and Sale.”

In connection with the offering of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilizing Manager(s) (the “Stabilizing Manager(s)”) in the applicable Final Terms (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant Tranche of Notes, whichever is earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager(s) (or persons acting on behalf of the Stabilizing Manager(s)) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager(s) (or persons acting on their behalf) and, where the relevant tranche of Notes are listed on an EU trading venue, on the trading venue.

For the purposes of the Luxembourg Stock Exchange (Euro MTF market), this Offering Memorandum shall constitute a Base Prospectus under the Prospectus Law. References herein to Offering Memorandum shall be construed as references to “Base Prospectus” and references to Final Terms shall be construed as references to “Pricing Supplement.” This Offering Memorandum may only be used for the purpose for which it has been published.

References herein to “US\$,” “U.S.,” “U.S. dollars” or “dollars” are to United States dollars, references to “Brazilian real,” “Brazilian *reais*,” “*real*,” “*reais*” or “R\$” are to Brazilian *reais*, references to “Euro” and “€” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, references to “Yen” are to the Japanese Yen, the official currency of Japan, references to “CIS\$” are to Cayman Islands dollars, the official currency of the Cayman Islands and references to “CHF” are to Swiss Francs, the official currency of Switzerland.

MARKET INFORMATION

The information (including statistical information) contained in this Offering Memorandum relating to Brazil and the Brazilian economy is based on information published by the Central Bank of Brazil (*Banco Central do Brasil*) (the “Central Bank”), other public entities and independent sources, including the National Association of Capital Markets Participants (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*) (“ANBIMA”), the Brazilian Federation of Banks (*Federação Brasileira de Bancos*) (“FEBRABAN”), the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*) (“IBGE”), the Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) (“FGV”), the Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing*), the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social—BNDES*) (“BNDES”), the National Monetary Council (*Conselho Monetário Nacional*) (“CMN”), the Superintendency of Private Insurance (*Superintendência de Seguros Privados*) (“SUSEP”), and the B3, among others. Other information contained in this Offering Memorandum is based on information from *Thomson Financial* (“Thomson”), *Institutional Investor*, *Dealogic Analytics* (“Dealogic”), *The Banker*, *Euromoney*, Futures Industry Association, Latin America Venture Capital Association, *World Wealth Report* and Emerging Markets Private Equity Association (“EMPEA”). Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information, and neither we nor any of the Dealers make any representation as to the accuracy of such data.

AVAILABLE INFORMATION

For so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such person pursuant to Rule 144A(d)(4) under the Securities Act. As long as we are entitled to the exemption under Rule 12g3-2(b) under the Exchange Act, we will not be required to deliver information that would otherwise be required to be delivered under Rule 144A(d)(4).

ENFORCEABILITY OF JUDGMENTS

Brazil

We are incorporated under the laws of Brazil. Most of our directors and all of our officers are Brazilian residents. Most of our assets are located in Brazil. As a result, it may not be possible or it may be difficult for you to effect service of process upon us or these other persons within the United States, the United Kingdom or other jurisdictions outside Brazil or to enforce judgments obtained in United States or English courts against us or them, including those predicated upon the civil liability provisions of the federal securities laws of the United States or the United Kingdom.

We have been advised by our Brazilian counsel, Campos Mello Advogados, that a judgment of a United States, English or Cayman Islands court for civil liabilities predicated upon the federal securities laws of the United States, the United Kingdom or the Cayman Islands may be enforced in Brazil (to the extent that Brazilian courts may have jurisdiction). Pursuant to Law 13,105 of March 16, 2015, as amended (the “Brazilian Code of Civil Procedures”), a judgment against us, the directors and officers or certain advisors named herein obtained abroad, including without limitation, any final judgement for payment of a sum certain would be enforceable in Brazil without reconsideration of the merits of the original action, upon recognition of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*, the “STJ”). That recognition, generally, will occur if the foreign judgment meets certain requirements, among which:

- has been rendered by a competent court in the jurisdiction where the judgement took place;
- was preceded by proper service of process on the parties in accordance with the law where the foreign judgement was rendered and not contrary to the applicable Brazilian law, or is a default judgement carried out in accordance with applicable law;
- is effective in the country where it was issued and complies with all formalities necessary for its recognition as an enforcement instrument under the laws of the jurisdiction where it was issued;
- is final (*res judicata*) and not subject to appeal, has exhausted the local remedies and does not violate a final and unappealable decision issued by a Brazilian Court;
- has been duly apostilled (*apostilado*) by the competent authority of the state rendering such foreign judgment in accordance with the Hague Convention of October 5, 1961 Abolishing the Requirement of Legalization for Foreign Public Documents (the “Apostille Convention”), or, if the rendering state is not a signatory to the Apostille Convention, is duly authenticated by a competent Brazilian consulate and in either case is accompanied by a sworn translation in Portuguese (*tradução pública juramentada*), except if such procedure was exempted by an international treaty concluded by Brazil;
- does not violate Brazilian public policy, national sovereignty, good morals or public morality (as set forth in Brazilian law) and does not contain any provision which for any reason would not be upheld by the courts of Brazil; and
- does not violate the exclusive jurisdiction of the Brazilian judiciary authority nor a Brazilian *res judicata* decision.

The confirmation process may be time consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you (i) that recognition of any judgement issued by a United States, English or Cayman Islands’ court would be obtained, (ii) that the confirmation process would be conducted in a timely manner, (iii) that Brazilian courts will enforce any penalty established by the foreign final judgment in the event the defendant refuses to comply with it or (iv) that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the Notes offered pursuant to this Offering Memorandum.

We also have been advised that:

- original actions predicated on the federal securities laws of the United States, English law or Cayman Islands law, as applicable, may be brought in Brazilian courts and that, subject to Brazilian public policy, public morality and national sovereignty, among other requirements set forth in the applicable law, Brazilian courts may enforce civil liabilities in such actions against us or the directors and officers and certain advisors named herein (provided that provisions of the federal securities laws of the United States, English law or Cayman Islands law, as applicable, do not contravene Brazilian public policy, good moral principles or national sovereignty); and
- pursuant to Article 83 of the Brazilian Code of Civil Procedures, a plaintiff, whether Brazilian or not, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil must provide a bond to guarantee court costs and legal fees of the opposing party in the actions filed if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the applicable Brazilian judge, based on the amount under dispute. This requirement does not apply: (i) to enforcement of foreign judgements which have been duly confirmed by the STJ; (ii) to cases of collection of claims based on an instrument (which do not include the units) that may be enforced in Brazilian courts without the previous review of its merits (*título executivo extrajudicial*) and in the satisfaction of the judgement; (iii) to counterclaims (*reconvenções*) and (iv) if the bond is exempted by treaty or international arrangement signed by Brazil. In accordance with the second paragraph of Article 83, upon the occurrence of the diminution of the guarantee during the course of litigation, the interested party may demand the reinforcement of the bond, justifying the request by pointing out the depreciation of the property given as guarantee and the importance of the reinforcement sought.

Cayman Islands

We are duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The Cayman Islands has a less-developed body of securities laws as compared to the United States and provides protection for investors to a significantly less extent.

We have been advised by Ogier, our Cayman Islands counsel, that although currently there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York, or Brazil, a judgment obtained in such jurisdictions may be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination or re-litigation of the matters adjudicated upon, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (i) is given by a foreign court of competent jurisdiction; (ii) is final and conclusive; (iii) is not in respect of taxes, a fine or a penalty; (iv) was not obtained by fraud; and (v) is not of a kind the enforcement of which is contrary to natural justice or public policy of the Cayman Islands.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear throughout this Offering Memorandum, principally in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

These estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of the Notes.

Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us.

Our estimates and forward-looking statements may be affected by the following factors, among others:

- the impact of the worldwide financial and economic environment on Brazil and on the other markets in which we operate;
- general economic, political and business conditions both in Brazil and abroad, including, in Brazil, developments and the perception of risks in connection with ongoing corruption investigations and the policies and potential changes under the new administration of President Jair Bolsonaro, who was sworn into office on January 1, 2019, any of which may negatively affect growth prospects in the Brazilian economy as a whole;
- our ability to execute our business strategies, financial plans and investment policies, particularly following initiatives to preserve capital and liquidity, including the disposal of several relevant assets, in the aftermath of allegations against our former chief executive officer and controlling shareholder in criminal proceedings relating to the Lava Jato and other related investigations;
- fluctuations in inflation, interest rates and exchange rates in Brazil and the other markets in which we operate;
- our ability to sustain and improve performance;
- increases in compulsory deposits and reserve requirements;
- credit and other risks of lending, such as increases in defaults by borrowers, other loan delinquencies and increase in the possibility for loan losses;
- our ability to obtain financing on reasonable terms and conditions;
- trends and competition in the Brazilian banking and financial services industry;
- our ability to remain competitive in our industry with increasing industry consolidation;
- the impact of future legislation and regulation on our business, including with respect to the capital requirements applicable to us and certain of our subsidiaries;
- our level of capitalization;
- governmental intervention resulting in changes to the economy, applicable taxes or tariffs or the regulatory environment in Brazil and the other markets in which we operate, including with respect to the regulation of financial institutions;
- adverse legal or regulatory disputes or proceedings;

- the recruitment, compensation and retention of key personnel;
- force majeure events that affect Brazil and the other markets in which we operate;
- our ability to detect and prevent money laundering and other illegal activities;
- our ability to protect personal data;
- our ability to protect our reputation;
- our dependence on the proper functioning of information technology systems; or
- other risk factors discussed in this Offering Memorandum under the caption “Risk Factors.”

The words “believe,” “understand,” “will,” “can,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek,” “should” and “could,” among other similar words, are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this Offering Memorandum as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this Offering Memorandum might not occur and our future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result, you should not make any investment decision on the basis of the forward-looking statements contained herein.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Applicable Accounting Standards and Currency of Financial Statements

We maintain our books and prepare our consolidated financial statements in *reais* in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (“Brazilian GAAP”), which are based on (i) Brazilian Law N. 6,404/76, as amended (“Brazilian Corporations Law”); and (ii) the accounting standards established by the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*) (“COSIF”), the Central Bank and the CMN.

While Brazilian Corporations Law generally introduced the process of converting the financial statements of Brazilian companies into International Financial Reporting Standards (“IFRS”), the Central Bank did not fully adopt this approach as it applied to financial institutions. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements which follow certain of the IFRS standards as originally issued by the International Accounting Standards Board (“IASB”) while continuing to also report in accordance with Brazilian GAAP.

As a result of our registration as a public company with the CVM, we are also required to prepare consolidated financial statements in accordance with IFRS. However, the consolidated financial statements included in this Offering Memorandum were prepared in accordance with Brazilian GAAP as stipulated by Central Bank rules, and no financial statements prepared in accordance with IFRS for any period are being included in this Offering Memorandum. See “Annex A: Principal Differences Between Brazilian GAAP and IFRS.”

Financial Statements

Overview

The financial information contained in this Offering Memorandum has been derived from our books and records and includes the following consolidated financial statements, included elsewhere in this Offering Memorandum:

- (a) our unaudited interim consolidated financial statements as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 and the notes thereto; and
- (b) our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 and the notes thereto.

References to “our consolidated financial statements” in this Offering Memorandum are to these aforementioned financial statements included herein.

Emphasis Paragraphs Included in the Auditors’ Reports

The reports for our audited consolidated financial statements and our interim unaudited financial statements included elsewhere in this Offering Memorandum include emphasis-of-matter paragraphs related to:

- (a) *foreign subsidiary equity pick-up.* As mentioned in Note 13 to Banco BTG Pactual’s unaudited interim consolidated financial statements as of September 30, 2019 and consolidated financial statements for the year ended December 31, 2018, Banco BTG Pactual holds investments in EFG, but Banco BTG Pactual usually discloses its consolidated financial statements before it has access to the financial information of EFG. This is due to the fact that EFG is a listed company on the SIX Swiss Exchange Ltd. and, accordingly, cannot disclose its financial information to Banco BTG Pactual or any single shareholder prior to releasing its consolidated financial statements to the market. As a result, the equity pick-up is recognized in a period longer than permitted under the rules of the Central Bank, and any adjustment recorded by EFG are only considered in a later period by Banco BTG Pactual;
- (b) *tax credits recorded in jointly-controlled subsidiary.* As of September 30, 2019 and as of December 31, 2018 and 2017, Banco PAN had deferred tax assets recorded on its balance sheet amounting to R\$2.7 billion, R\$2.9 billion and R\$3.2 billion, respectively, recognized based on long-term projections

of future taxable income on which the deferred tax assets will be realized. These deferred tax realization projections were reviewed by Banco PAN's management based on current and future scenarios analyses and approved by its board of directors, relying on certain assumptions related to macroeconomics indices for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco PAN; and

(c) Banco BTG Pactual prepared a separate set of unaudited interim individual financial statements of Banco BTG Pactual on a standalone basis for the nine months ended September 30, 2019 and for the years ended December 31, 2018, 2017 and 2016. Such individual financial statements were also prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank.

Functional Currency

Our consolidated financial statements are presented in *reais*, which is the currency of the primary economic environment in which we operate. The financial statements of our companies abroad, originally stated in their functional currencies, were translated into *reais* using the following exchange rates: (i) balance sheet items were translated into *reais* using the relevant closing rates at the end of the applicable reporting period and (ii) income statement items were translated into *reais* using the monthly average rate for the nine months ended September 30, 2019 and using the relevant closing rates as of the end of the period for all other reporting dates. The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature for the year ended December 31, 2016.

Beginning on January 1, 2017, the effects of foreign exchange variations on investments abroad are recorded as fair value adjustments in our shareholders' equity.

Our Unaudited Adjusted Income Statement

The presentation of our audited income statement is based upon Brazilian GAAP and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an unaudited adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market.

Our unaudited adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016 and a discussion of such unaudited adjusted income statement. Our unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. The classification of the line items in our unaudited adjusted income statement, however, has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement, as further described below.

Below is a summary of certain material differences between our unaudited adjusted income statement and our income statement (which is derived from our consolidated financial statements):

	Unaudited Adjusted Income Statement	Income Statement
Revenues.....	Our revenues are denominated in <i>reais</i> , our functional currency and the reporting currency used in our financial statements. We present our revenues segregated by business unit, which is the functional view used by our management to monitor our	Our revenues are denominated in <i>reais</i> , our functional currency and the reporting currency used in our financial statements. Our revenues are presented in accordance with Brazilian GAAP, which follows the standards established by COSIF. COSIF

	Unaudited Adjusted Income Statement	Income Statement
	performance. To produce our unaudited adjusted income statement, each transaction is allocated to a business unit, and the associated revenue, net of transaction and funding costs (when applicable), is reported as generated by such business unit.	determines a segregation of revenues that generally follows the contractual nature of the transactions and is in line with the classification of the assets and liabilities, from which such revenues are derived, reported in our balance sheet. Revenues are presented without deduction of corresponding financial or transaction costs.
Expenses	Our revenues included in our unaudited adjusted income statement are presented net of certain expenses, such as trading losses, as well as transaction costs and funding costs which can be directly associated to such revenues. We also deduct from our revenues included in our unaudited adjusted income statement the cost of funding of our net equity, which is separately reported as revenue under “interest and other.” General and administrative expenses that are typically incurred to support our operations are presented separately in our unaudited adjusted income statement.	We present the break-down of our expenses in accordance with standards established by COSIF. Pursuant to COSIF, financial expenses, such as the costs incurred to fund our positions, and trading losses, such as the net losses incurred in connection with derivative transactions, are presented as separate line items and are not deducted from the financial revenues with which they are associated. Transactions costs, such as brokerage fees, are usually capitalized as part of the acquisition cost of assets and liabilities in our inventory. General and administrative expenses typically incurred to support our operations are presented separately in our income statement.
Revenues from our Sales and Trading Unit	Revenues are presented net of funding costs, including the cost of funding our net equity, and of trading losses, including losses from derivatives, equity transactions, our insurance business and commodities transactions and from foreign exchange variations. Revenues are also deducted from transaction costs.	Revenues from sales and trading are included in numerous revenue line items of our income statement, including securities, derivative financial income, foreign exchange and mandatory investments. Losses from sales and trading, including trading losses, derivative expenses and funding and borrowings costs are presented as financial expenses in separate line items.
Revenues from our Corporate Lending Unit	Revenues are presented net of funding costs, including the cost of funding our net equity and allowance for loan losses.	Revenues from corporate lending are included in certain revenue line items of our income statement, including credit operations, securities and derivative financial income. Losses from corporate lending, including derivative expenses, are presented as financial expenses in separate line items.

	Unaudited Adjusted Income Statement	Income Statement
Revenues from our Participations Unit	Revenues consist of our proportional share of the profits and losses of (i) Banco PAN, (ii) Too Seguros (formerly known as Pan Seguros), (iii) Pan Corretora, (iv) Maybrooke Holdings S.A. (“Maybrooke”) (prior to its sale in February 2017), (v) EFG (as of November 2016), (vi) BSI (in the last quarter of 2016, prior to its sale) and (v) Engelhart CTP (as of October 2016, after the spin-off of most of our commodities business and until September 30, 2019 with the transfer of Neoport to BTG Pactual Holding). All investments are accounted for using the equity pick-up method and the results are gross of the funding costs applied.	The results from our participations in the same companies are recorded as equity in the earnings of associates and jointly controlled entities.
Revenues from our Principal Investments Unit ..	Revenues are presented net of funding costs, including the cost of funding our net equity, and of trading losses, including losses from derivatives and from foreign exchange variations. Revenues are also reduced by associated transaction costs, and by management and performance fees paid to asset managers and other fund service providers, including our own asset management unit.	Revenues from principal investments are included in different revenue line items of our income statement, including securities, derivative financial income and equity in the earnings of associates and jointly controlled entities. Losses from principal investments, including trading losses and derivative expenses, are presented as financial expenses in separate line items.
Salaries and benefits	Salaries and benefits include mainly compensation expenses and corresponding social security contributions.	Generally recorded as personnel expenses.
Bonus	Bonus expenses include our cash profit-sharing plan expenses, calculated as a percentage of our net revenues.	Generally recorded as employees’ statutory profit-sharing.
Retention expenses...	Retention expenses include the pro rata accrual of employee retention program expense.	Generally recorded as personnel expenses.
Administrative and others.....	Administrative and Others are expenses such as consulting fees, offices, IT, travel, and expenses for presentations and conferences as well as other general expenses.	Generally recorded as other administrative expenses, tax charges and other operating expenses.
Goodwill amortization.....	Goodwill amortization of investments in operating subsidiaries other than private equity investments.	Generally recorded as other operating expenses.
Tax charges, other than income tax	Tax charges are mostly comprised of taxes applicable to our revenues which, by their nature, are not considered by us as transaction costs, including PIS (<i>Contribuição para o Programa de Integração Social</i>), COFINS (<i>Contribuição</i>	Generally recorded as tax charges other than income taxes.

	Unaudited Adjusted Income Statement	Income Statement
	<i>para o Financiamento da Seguridade Social</i>) and ISS (<i>imposto sobre serviços</i>). We also reclassify overhedge impacts from revenues to taxes.	
Income tax and social contribution	Income tax and other taxes applicable to net profits. We also reclassify overhedge impacts from revenues to taxes.	Generally recorded as income tax and social contribution.

The differences discussed above are not exhaustive and should not be construed as a reconciliation of our unaudited adjusted income statement to our income statement as derived from our financial statements. The business units presented in our unaudited adjusted income statement should not be presumed to be separate stand-alone operating segments under IFRS because our management does not rely on such information for decision-making purposes. Accordingly, our unaudited adjusted income statement contains data about our business, operating and financial results that are not directly comparable to our income statement or our financial statements and should not be considered in isolation or as an alternative to such income statement or financial statements. In addition, although our management believes that our unaudited adjusted income statement is useful for evaluating our performance, our unaudited adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be construed as segment information under IFRS 8 because our management does not rely on this information for decision-making purposes. Accordingly, our unaudited adjusted income statement may differ from the presentation and segmentation used by other banks and companies. Furthermore, our unaudited adjusted income statement has not been audited or reviewed by our independent auditors.

Certain Non-GAAP Metrics

Our management believes that the presentation of certain non-GAAP metrics provides additional useful information to investors regarding our performance and trends related to our results of operations. Accordingly, we believe that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance and financial results. For this reason, we are including in this Offering Memorandum information regarding our adjusted net income and based on such calculation, adjusted return on average equity. Adjusted net income and adjusted return on average equity are not calculated in accordance with Brazilian GAAP or IFRS, and our use of these terms may vary from the use of similarly-titled measures by other companies due to potential inconsistencies in the method of calculation and differences due to items subject to interpretation. Investors are cautioned not to place undue reliance on non-GAAP metrics.

We calculate adjusted net income as net income for the period, as adjusted to eliminate the effects of certain events that, in the opinion of our management, are isolated in nature and, therefore, distort comparability across periods, including mainly (i) goodwill amortization related to the BSI/EFG acquisition and, in 2017 only, in connection with our earlier acquisitions of Celfin in Chile and Bolsa y Renta in Colombia, (ii) certain administrative and other expenses, mainly related to legal fees in connection with the arbitration of BSI (see “Business–Legal Matters–Civil and Other Proceedings”), (iii) in 2017 only, certain impacts to our investment banking revenues reflecting a reversal of fees due to a transaction not being approved by the Brazilian antitrust authorities, (iv) in 2018 only, mainly expenses related to our adhesion to tax amnesty programs and (v) the tax impacts of the aforementioned adjustments. Our management believes that results excluding non-recurring items and goodwill provide more meaningful information on the underlying profitability of our businesses. However, adjusted net income should not be considered by itself or as a substitute for net income, operating income or cash flow from operations or other measures of operating performance, liquidity or ability to pay dividends. Our definition of adjusted net income may differ from those used by other companies. For reconciliation from our adjusted net income to net income, see “Selected Financial Information—Reconciliation of Certain Non-GAAP Metrics.”

Assets Under Management

Assets under management (“AUM”) consists of clients’ assets (including our private wealth clients) that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and private equity funds, and that are not recorded in our balance sheet.

Assets Under Administration

Assets under administration (“AUA”) represents all the financial properties and assets to which we provide administration services, including proprietary, third parties and wealth management funds and/or collective investment vehicles. These assets are not necessarily managed by our asset management unit.

Wealth Under Management

Wealth under management (“WUM”) consists of private wealth clients’ assets that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and private equity funds, including through our asset management products, and that are not recorded in our balance sheet. Accordingly, a portion of our WUM is also allocated to our AUM to the extent that our wealth management clients invest in our asset management products.

Average Balances

Unless the context requires otherwise, average balances of (i) our Brazilian government bonds portfolio, credit portfolio, repurchase agreements, reverse repurchase agreements, bank certificates of deposit (*Certificado de Depósito Bancário*) (“CDB”), and interbank certificates of deposit, *Certificado de Depósito Interbancário* (“CDI”), funding portfolio were calculated for (a) any full-year, by adding the initial balances of the year with the final balances of each quarter in the year in respect of which average balance is being reported and dividing the sum of such balances by the sum of the relevant quarter plus one and (ii) our broader credit portfolio which is presented exclusively in the unaudited adjusted income statement, and includes loans, receivables, advances in foreign exchange contracts, securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit), were calculated for any full-year, by adding the initial balances of the year with the final balances of each quarter in the year in respect of which the average balance is being reported and dividing the sum of such balances by the sum of the relevant quarter plus one.

Merchant Banking and Private Equity Activities

Our private equity activities are part of our asset management business unit and refer to our management of private equity funds whose capital is sourced from third party qualified investors (including other members of the BTG Pactual Group) as well as our own capital. When we or other members of the BTG Pactual Group make investments in funds and investment vehicles managed by us, we refer to such activities as merchant banking activities. Merchant banking activities are part of the principal investments business unit.

Rounding

Certain percentages and other amounts included in this Offering Memorandum (including our consolidated financial statements) have been rounded off to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

Convenience Translation

Solely for the convenience of the reader, we have converted certain amounts contained in the sections entitled “Summary,” “Capitalization,” “Selected Financial and Operating Information,” and elsewhere in this Offering Memorandum from reais into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$4.1644 to US\$1.00, which was the selling exchange rate in effect as of September 30, 2019, as published by the Central Bank on its electronic information system, SISBACEN. The U.S. dollar equivalent information presented in this Offering Memorandum are provided solely for the convenience of the reader and should not be construed as implying that the amounts presented in reais represent, or could have been or could be converted into U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate has recently been

subject to a high degree of volatility and may continue to fluctuate to a significant extent and, accordingly, the exchange rate as of September 30, 2019 may not be indicative of future exchange rates. We have not updated the translation rates used above for a most recent date as the translation have been performed solely for convenience and therefore should not be considered in making an investment decision. See “Exchange Rates” for information regarding the real/U.S. dollar exchange rates.

SUMMARY

This summary contains selected information about us. It does not contain all of the information that an investor should consider before making a decision to invest in the Notes. For further information on our business and this offering, you should read this entire Offering Memorandum carefully, including our consolidated financial statements, the related notes and the sections “Presentation of Financial and Other Information,” “Summary Financial and Operating Information,” “Risk Factors,” “Selected Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Overview

We are a financial institution with origin and headquarters in Brazil, acting in the main Latin American markets. We have approximately 2,400 professionals providing services of investment banking, asset management and wealth management. Through a platform with high capability of international distribution, we provide a comprehensive range of financial services to a regional and global client base, which main focus is the large corporations, institutional investors, governments and high net worth individuals (“HNWI”).

Founded in 1983, we consider that our more than three-and-a-half-decade experience and our firmly established brand are key success factors in our decision to explore new opportunities in the retail banking market, leveraged by technological innovations. Our first incursion in this market was the launch in January 2016 of BTG Pactual Digital, an online investment platform dedicated to retail. Combined with other initiatives, BTG Pactual Digital will integrate our digital retail platform that, under a unified and exclusively dedicated leadership, will comprise: (a) investment, credit and banking services solutions to retail; (b) credit and other banking services to small and medium-sized businesses; (c) distribution of insurance; (d) investment in Banco PAN; (e) training in data and investment content analysis; and (f) boostLAB, the scale-ups accelerator and business originator.

We operate as a meritocratic partnership, which currently consists of 247 Partners. We have local coverage in six of the main cities in Brazil, including São Paulo and Rio de Janeiro, in addition to Chile, Colombia, Mexico, Peru and Argentina. We also have strategic presence in New York, Miami and London, focused on distribution of a wide variety of banking products in Latin America and managing global clients’ funds. We occupy a leadership position in the Brazilian market and, as a result of our expansion and strategic focus on Latin America, we have been reaching an increasing business volume in Chile and Colombia.

Our Business Areas

Our operational strategy is focused on the following main business areas:

- **Investment Banking**, which provides financial advisory and capital markets services;
- **Corporate Lending**, which offers financing, structured credit and guaranteed loans to companies;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, research and equities, derivatives, interest rate, foreign exchange, energy and commodities transactions for hedging and trading purposes, as well as insurance and reinsurance products and services;
- **Asset Management**, which offers asset management services with a broad range of products across several international asset classes, especially in Latin America, to local and international clients;
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI and institutions; and
- **Consumer Lending and Insurance**, which provides financing and loans and insurance to individuals, especially through our investment in Banco PAN and Too Seguros (formerly known as Pan Seguros), respectively.

In addition to the business areas described above, we continue to hold certain legacy investments in companies originating from our Principal Investments operation, mainly represented by our ownership interest in Eneva and PetroAfrica and real estate investments. We also hold investments in institutions that are outside of our strategic core operation, such as EFG and, until September 30, 2019, an interest in Engelhart CTP. The economic rights associated with the majority of Banco BTG Pactual's stake in EFG were transferred to BTG Pactual Holding on September 30, 2019. See "Related Party Transactions—Proposed Partial Transfer of Banco BTG Pactual's Stake in EFG to BTG Pactual Holding" and "—Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual's Interest in EFG."

We are focused on offering disruptive products and services to meet our clients' evolving expectations through expanding our presence and product offerings in Latin America and taking advantage of opportunities arising from an accelerated transformation of banking intermediation as a result of technological innovations, an increasing maturity of Brazilian investors and the expectation that interest rates will remain at historically low levels. In this scenario and in addition to a growth perspective in our traditional markets, our digital retail platform will be fully dedicated to capture opportunities in market segments not yet well explored by us.

Our Results and Financial Condition

Our different business units generate a combination of fee and trading revenues that have allowed us to generate attractive results and returns on equity through adverse economic and market conditions.

The following table shows key performance data for Banco BTG Pactual for the periods indicated:

	As of and for the year ended December 31,			As of and for the nine months ended September 30,		CAGR ⁽⁶⁾
	2016	2017	2018	2018	2019	2016-2018
	<i>(in R\$ millions, except percentages)</i>					
Total Revenue ⁽¹⁾	8,797.1	5,527.5	5,352.6	3,803.6	5,847.2	(22.0%)
Net Income	3,408.6	2,383.9	2,360.8	1,808.7	2,649.2	(16.8%)
Adjusted Net Income ⁽¹⁾⁽⁷⁾	-	2,948.9	2,741.3	2,030.5	2,823.7	n/a
Shareholders' Equity	17,727.2	18,523.7	18,844.9	19,180.2	20,821.1	3.1%
Return on Average Equity ("ROAE") ⁽²⁾⁽³⁾ (%)	18.2%	13.2%	12.6%	12.8%	17.8%	(16.8%)
Adjusted Return on Average Equity ("ROAE") ⁽²⁾⁽³⁾⁽⁸⁾ (%)	18.2%	16.3%	14.7%	14.4%	19.0%	(10.1%)
AUM and AUA (in R\$ billions) ⁽⁴⁾	115.7	144.9	207.5	184.2	253.9	33.9%
WUM (in R\$ billions)	73.7	86.9	119.2	115.5	158.3	27.2%
BIS Capital Ratio ⁽⁵⁾ (%)	21.5%	18.0%	16.6%	17.8%	15.1%	(12.1%)

(1) Derived from our unaudited adjusted income statement.

(2) We determine our average shareholders' equity based on the initial and final net equity for the period.

(3) Figures are presented on an annualized basis.

(4) Combination of AUM and AUA for the period, without double-counting of the funds that we manage and administer.

(5) Basel index.

(6) Compound annual growth rate.

(7) We calculate adjusted net income as net income for the period, as adjusted to eliminate the effects of certain events that, in the opinion of our management, are isolated in nature and, therefore, distort comparability across periods, including mainly (i) goodwill amortization related to the BSI/EFG acquisition and, in 2017 only, in connection with our earlier acquisitions of Celfin in Chile and Bolsa y Renta in Colombia, (ii) certain administrative and other expenses, mainly related to legal fees in connection with the arbitration of BSI (see "Business—Legal Matters—Civil and Other Proceedings"), (iii) in 2017 only, certain impacts to our investment banking revenues reflecting a reversal of fees due to a transaction not being approved by the Brazilian antitrust authorities, (iv) in 2018 only, mainly expenses related to our adhesion to tax amnesty programs and (v) the tax impacts of the aforementioned adjustments. Our management believes that results excluding non-recurring items and goodwill provide more meaningful information on the underlying profitability of our businesses. However, adjusted net income should not be considered by itself or as a substitute for net income, operating income or cash flow from operations or other measures of operating performance, liquidity or ability to pay dividends. Our definition of adjusted net income may differ from those used by other companies. For reconciliation from our adjusted net income to net income, see "Selected Financial Information—Reconciliation of Certain Non-GAAP Metrics."

(8) We calculated adjusted return on equity based on our adjusted net income. For reconciliation from our adjusted net income to net income, see "Selected Financial Information—Reconciliation of Certain Non-GAAP Metrics."

Our Competitive Strengths

We believe that our competitive strengths include:

Substantial presence in Latin America, where we hold a dominant presence

We are one of the leading players in Latin America's financial services industry, which we believe to be one of the most attractive financial services markets globally. Given our significant presence in all of the major financial markets of the region, we believe that we are positioned to prominently participate in and obtain substantial benefits from the existing large potential and further development of Latin America.

We rely on our vast knowledge of the Latin American financial market which we believe allows us to identify opportunities and business trends more quickly and precisely than our competitors in the region. Moreover, due to our flat administrative structure and our strong capital base, we believe that we are able to act more efficiently in the use of such business opportunities.

Our broad global network of contacts and our brand with long-standing reputation in the international financial market provide us with business opportunities beyond Latin American borders, with relevant counterparties in Asia, Middle East, Europe and North America. We seek to use this capability to strengthen several of our main businesses strategies and generate additional revenues.

We are one of the premier brands for investment banking, asset management and wealth management in Latin America and we are one of the largest investment banks based in the emerging markets. Among other things, we:

- were book-runners in approximately 52.6% of all public equity offerings completed in Brazil from January 1, 2004 through September 30, 2019, and the leading equity underwriter in terms of number of book-managed transactions according to ANBIMA. We continue to build market share in other Latin American countries, through our platforms located in Chile, Colombia, Mexico and Peru;
- were one of the leading Brazilian M&A advisory investment banks according to Thomson and provided advisory services in 472 announced M&A transactions from January 1, 2010 through September 30, 2019. We are rapidly expanding our M&A advisory services in Latin America outside of Brazil, both in local and cross-border transactions;
- have an equity research team regularly named among the best research teams in Brazil from 2006 to 2019 and among the best research teams in Latin America from 2012 and 2019, and more recently the best research team in Brazil and in Latin America in 2018 and 2019, according to Institutional Investor;
- are one of the largest securities brokerage houses in Brazil in terms of total volume of securities traded, according to B3 Exchange;
- are one of the largest asset managers in Brazil, according to ANBIMA, with AUM in the amount of R\$253.9 billion as of September 30, 2019;
- had approximately R\$158.3 billion of WUM as of September 30, 2019;
- received a number of awards recognizing the excellence of our investment banking and asset management platforms, including: being named The World's Best Investment Bank in the Emerging Markets, Best Investment Bank in Latin America, Brazil and Chile by Euromoney magazine and Investment Bank of the Year Brazil and Latam by LatinFinance in 2019; Best Private Banking and leader in 9 out of 11 categories from Euromoney Ranking in Brazil, Best Private Banking in Latin America by Global Finance and Wealth Management Bank of the Year by LatinFinance in 2019; Best Bank to Invest (in digital banks category) in 2019 by FGV and Fractal Consult; #1 Research Team and Corporate Access in Latam in 2019 by Institutional Investor; Best Investment Manager and Best Equity Finance in Brazil in 2018 by Euromoney magazine; Best Private Bank for digital in Latam by PWM magazine in 2019; Wealth Management Company of the Year in Colombia and Investment

Bank of the Year in Colombia, each in 2017 by The European; Best Global Macro Hedge Fund in 2017 by Eurohedge; Best Variable Income Fund Manager in Brazil in 2017 by Standard & Poor's and Valor Econômico; Best Investment Banking Capabilities, Best Asset Management Capabilities and Best Research and Asset Allocation Advice, each in 2016 by Euromoney magazine; and

- are in the fourth cycle of boostLAB, our acceleration program of scale-ups, launched in the beginning of 2018 and recognized as one of the best global financial innovation centers by Global Finance in their The Innovators 2019 award. We were the only Latin American representative recognized as one of the top 25 innovation laboratories in the financial market and were included in the 10 most innovating initiatives in Corporate Finance.

Distinctive culture stressing intellectual capital, meritocracy, entrepreneurship and alignment of interests

We operate under a partnership model and a flat management structure that emphasizes the value of intellectual capital, entrepreneurship and meritocracy. We believe this model is the key to our success. We are managed by our Senior Management Team and, as of November 21, 2019, we had 247 Partners that, owned, directly or indirectly, approximately 77.3% of our equity.

We believe this model (i) fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment, (ii) substantially enhances the integration of our business units and maximizes cross-selling of our products, (iii) allows us to maintain an intense commitment to our clients, and identify and capitalize on opportunities in the Brazilian and international markets, (iv) substantially enhances our ability to attract and retain the best available talent and (v) greatly facilitates our ability to maintain a lean and cost efficient organizational structure. As a result of this model, and the integration of our businesses, we have a diversified revenue mix and low cost-to-income ratio and have consistently achieved financial results that we believe exceed those of our competitors.

We consider our personnel to be our most valuable asset and believe that our culture and partnership structure allows us to attract, retain and motivate highly talented professionals. Our recruiting strategy and training are aimed at producing future Partners. The commitment of our personnel to our culture and success is reinforced through the recognition of individual merit and a variable compensation system that rewards teamwork, entrepreneurship and initiative, and eventually results in our most valuable professionals becoming vested in the success of our business as Partners. We believe that our partnership model, recruitment strategy and management structure result in our achieving substantially less turnover at the middle and senior management levels than our Brazilian and international competitors.

Our culture also stresses an alignment of interests between our shareholders and our professionals. Virtually all of our key professionals are Partners and their respective equity ownership in Banco BTG Pactual represents significant portions of their personal wealth (and in most cases, the vast majority of such wealth). We believe that this creates an unprecedented alignment of interests that encourages (i) a rigorous analysis of the risks that we take in our sales and trading activities, (ii) a pursuit of strategies that emphasize long-term, consistent and profitable growth, (iii) a long-term commitment to our clients and our reputation, (iv) the maintenance of a lean organizational structure and decision-making process and (v) a strong focus on cost controls.

Consistent with our long standing strategies, we have taken concrete steps aimed at ensuring that our partnership model remains in effect for the foreseeable future so that both our Partners and our public shareholders continue to enjoy the financial and strategic benefits which we derive from this model. See "Our Partnership."

Our track record of strong growth with consistent profitability (as described below) through various economic cycles while maintaining strong capital ratios and rigorous risk controls

Our Senior Management Team is based in all major markets in which we operate and has many years of experience leading us through various economic cycles and, in particular, amidst the economic and political instability and economic recession in Brazil in recent years.

We have generated consistent earnings throughout these various cycles. We have been profitable during each of the last three years ended December 31, 2018, 2017 and 2016 and in the nine months ended September 30, 2019.

While we seek to generate consistent earnings, we also focus on consistently maintaining strong capital ratios and an adequate risk profile. We believe that our track record of consistently maintaining a higher capital ratio than that required by the Central Bank, while consistently generating attractive returns on equity, highlights our ability to deploy capital efficiently.

Similarly, we seek to maintain a rigorous discipline of risk management and internal controls that were tested in extreme adverse conditions, including the international financial crisis in 2008 and, more recently, the political and economic instability in Brazil since 2015. We monitor our risks on a daily basis; looking at all dimensions that we believe are relevant to our operations, including market risk, credit risk, liquidity risk, counterparty risk and operational risk. In our risk control framework, we adopt risk models that allow us to measure risks based on the past behavior of markets (“VaR”) and on our stress test scenarios and simulations. Our senior Partners, who are directly responsible for the management of our risks, are closely involved in the execution of the daily operations, and have a deep understanding of the markets in which we conduct our operations. As a consequence, risk management is an integral part of our decision-making process, which we believe has allowed us to maintain consistent returns, and to optimize the use of our capital.

Following the best governance and compliance practices, we have (i) maintained our corporate governance structure continuously adjusted, including our Senior Management Team and control group; (ii) sustained healthy liquidity ratios aligned with the different market scenarios; and (iii) consistently monitored our leverage and VaR, while strengthening our capital ratios. The strength of our compliance structure included the implementation of an independent structure that reports directly to our board of directors.

In addition, given that the vast majority of our Partners’ personal wealth consists of their respective equity interests in Banco BTG Pactual, we believe that the interests of the persons taking and monitoring our risks are more fully aligned with our non-executive shareholders than is the case at our competitors – an unprecedented alignment of interests in the financial market, which allows the preservation of a rigorous risk control and encourages the search for long-term profit strategies.

Experienced management team and motivated work force

We have a group of highly talented professionals with a strong reputation in the Brazilian and international financial markets. This group was responsible for establishing and implementing the strategies that permitted us to become one of Latin America’s leading financial institutions. Our team includes numerous executives with substantial experience in Brazilian and international institutions acting in G-10 countries markets and emerging markets, including as top executives in global investment banking and asset management business units. Equally demanding standards have been adopted to form the team responsible for the digital retail platform. These team members have been selected based on both their previous histories of success and our belief that they shared our distinctive business culture and would serve as the cornerstones for implementing this culture in our new offices and in our businesses generally going forward.

Our diversified and integrated portfolio of products and services

We believe that we have successfully diversified our business operations and sources of revenue to maximize opportunities for leveraging our client relationships across business units. In addition, we believe that we have achieved geographic diversification which has positioned us to exploit changes in market conditions throughout the world.

We believe that our strong market positions across the spectrum of financial services enable us to adapt quickly and efficiently under continuous changing market conditions. Our entrepreneurial culture leads us to consistently seek new and diversified revenue sources, including opportunities outside our historical target market in Brazil, such as our acquisitions throughout Latin America, the beginning of operations in Mexico and Argentina, and through our online platform, BTG Pactual Digital. We believe that our geographic diversification and expanding portfolio of businesses increases our potential to successfully grow our business and to maintain our profitability.

In addition, we value the cross-selling opportunities arising from the range of our business units, the strength of our client relationships and the distinctive integration of our organizational structure. For example, many of our significant asset and wealth management clients mandated us to underwrite their securities public offerings. This cross-selling strategy is particularly advantageous in Latin America, where many wealthy families control a significant share of local businesses and thus require a wide variety of financial services for both their personal wealth and the businesses they control.

Our recognized research capabilities also contributed to our significant participation in equity underwritings in Latin America in addition to generating significant brokerage commissions for our sales and trading unit. Consequently, we currently provide our clients with both high quality asset and wealth management and financial advisory services – both in capital markets and mergers and acquisitions. In addition, our sales and trading unit covers multiple markets and different geographies, with a focus on building long-term relationships and delivering high quality execution.

Our Strategy

Our principal strategies are:

Strong operational leverage capability through technology, banking extension and expansion of our initiatives in retail market

The global banking market is going through a period of deep transformation due to technological advances. In Brazil, the expansion of digital platforms started as result of an initiative of independent players, followed by traditional retail banks.

In addition, technology accelerated changes in the financial intermediation architecture. Traditional clients from retail banks seek alternatives for their banking and investment transactions, focused on usability, convenience and offering of products. According to a 2019 survey by the Brazilian Federation of Banks (*Federação Brasileira de Bancos* (“FEBRABAN”), from 2017 to 2018, the volume of financial transactions through digital channels increased 33% and through mobile banking channels increased 80%. Further, according to FEBRABAN data, most Brazilians use mobile banking for their banking transactions, resulting in a decrease in the relevance of bank branches network and physical transactions, a phenomenon that is reflected in the decrease of the number of bank branches in Brazil since 2016.

According to ANBIMA, in Brazil, private banking, traditional retail and high net worth segments accounted for R\$2,797.5 billion in assets in 2018. The private banking segment, represented by our wealth management, accounted for 34.5% of the total in the same period. The total of invested funds in traditional retail and high net worth segments accounted for R\$1,831.3 billion in 2018, of which R\$730.7 billion, or a significant 40%, was allocated to savings accounts. Of the remainder, 33% were invested in funds, 24% were invested in fixed income and securities and 3% in variable income.

We believe that this change in clients’ preference and the use of technology will be catalysts of a great potential of expansion of our business. We also believe that this expansion will occur through the digitalization of our activities, allowing us to reach a greater client base and expanding the geographic range of our operations through the offering of investment products and credit via digital channels, without requiring large investments in physical assets or distribution network. In addition to our larger presence in regions still not covered, we may extend our participation in traditional retail and high net worth segments, especially in the offering of investment products, in which we have a well-established brand and acknowledged track record of performance. These measures may generate market share gains in funds, securities, fixed income and variable income segments. We believe to be well-positioned to take advantage of the expected improvement in the macroeconomics scenario, with the continuation of a local interest rates convergence and an increasing sophistication of investors, which allows a migration from traditional savings investment portfolios products to fixed and variable income instruments with more attractive returns, our areas of more expertise and market recognition.

In view of this scenario, we started in 2016 to develop our online platform, the BTG Pactual Digital, and concluded the availability of the full range of investment products in November 2018. This initiative is based on our direct relationship with our clients via an application, combined with an increasing operation through independent

investment advisors throughout Brazil. Due to the positive results of BTG Pactual Digital and the increasing use of technology in the financial universe, we will reorganize and integrate our efforts in the digital retail market in our digital retail platform, which will comprise the following activities: (a) investment, credit and banking services solutions to retail; (b) credit and other banking services to small and medium-sized businesses; (c) distribution of insurance; (d) investment in Banco PAN; (e) training in data and investment content analysis; and (f) boostLAB, the scale-ups accelerator and business originator. This reorganization will enable us to be more efficient in the technology platforms development, aiming at improving the experience of our clients, which is a primary factor in our client attraction and retention, and to better identify cross-selling opportunities.

Strengthen our core markets, aiming to expand and diversify our main products and services

We intend to continue to develop our activities in our core markets (investment banking, corporate lending, sales and trading, asset management and wealth management), using our more than 30-year experience in these business units to continue to offer distinctive solutions to our clients and the market.

We believe that our growth will occur mainly through: (a) growth and sophistication of the markets where we operate; (b) expansion of our market share, primarily in asset management and wealth management; (c) expansion of our main activities in the several Latin American markets, using the expertise we acquired in our Brazilian operations; (d) constant technological evolution, allowing a geographical expansion of our main activities; and (e) our proficiency in the quick identification of trends and opportunities in the market, which, combined with our agile and qualified internal structure, allows the offering of new products and modern solutions in our core segments.

Moreover, we intend to take advantage of favorable market conditions in Latin America, consolidating even more our branches and leveraging our reputation among existing and future clients, from Latin America and worldwide, interested in opportunities related to emerging markets. Investment opportunities were created in the past years in Latin American countries, including related to investments in infrastructure in Brazil, Mexico, Peru, Argentina and Colombia, among others.

Maintain our distinctive culture

In contrast to other investment banking and asset management firms in Brazil and worldwide that have sold equity to the general market in the past, we have implemented several concrete steps to maintain our partnership model following our initial public offering completed in April 2012.

One of the key factors in our partnership model is that the partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives). Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain very limited exceptions, such as the sale of the controlling interest in Banco BTG Pactual. We believe that the substantial ownership position of our Partners and the maintenance of our partnership in which Partnership Equity is bought and sold on a meritocratic basis will (i) ensure the continued commitment of our most important executives to our success, (ii) permit us to maintain our unique culture and the competitive advantage it grants us and (iii) permit us to attract and retain future generations of talent, all of which create an unprecedented alignment of the interests of our Senior Management Team with the interests of our public shareholders.

Our History

Our history began in 1983, when Pactual S.A. Distribuidora de Títulos e Valores Mobiliários (“Pactual D.T.V.M.”) was founded in Rio de Janeiro as a securities dealer and a new entity named Pactual Administração e Participações Ltda. (“Pactual Limitada”) was formed to operate an asset management business.

In 1989, Pactual Limitada obtained a license to become a multiple-service bank (*banco múltiplo*) authorized to engage in commercial banking, investment banking, portfolio management, foreign exchange, real estate financing and savings and loans operations. As a result, Pactual Limitada was renamed Banco Pactual S.A. (“Banco Pactual”).

In 1989, Banco Pactual established a branch in São Paulo, our first office outside Rio de Janeiro. In the same year, Pactual Overseas Corp. was incorporated to carry out our international activities. In 1990, we began to offer our clients wealth management services.

The period from 2000 to 2005 was essential to the expansion of our various business units. During these years several companies were created, including:

- BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários, a subsidiary created to segregate the asset management business unit;
- BTG Pactual Corretora de Mercadorias Ltda., a dedicated commodities and future broker-dealer;
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., a securities broker-dealer; and
- BTG Pactual Gestora de Recursos Ltda., which manages mutual funds and securities portfolios.

The structure granted us increased cross-selling opportunities by enabling us to offer top-tier capabilities across a full range of products. Such opportunities also facilitated the growth of our asset management and wealth management business units and the enhancement of our investment banking, sales and trading business units. At the same time, Brazil was achieving economic stability and its prospects for growth were improving substantially. In this environment, we were able to anticipate, and thereafter lead, the strong development of the Brazilian capital markets that began in 2004, in offering different products to investors interested in equity and debt securities of Brazilian companies, and to have our asset and wealth management units benefit from the increasing wealth in Brazil.

In May 2006, UBS AG agreed to purchase Banco BTG Pactual. Our principal Partners, including our CEO, CFO and COO remained as the senior management of the bank following the consummation of the sale in December 2006. We became “UBS Pactual,” the Latin American division of UBS AG, and our CEO became CEO of all of UBS’s Latin American operations. At the time of the acquisition, we were already a leading investment bank and asset manager in Brazil.

In July 2008, a group of our key senior Partners left UBS Pactual with the goal of establishing a new venture based on the same culture they had previously implemented at Banco Pactual.

This group of our key senior Partners, jointly with some former managing directors of UBS AG and other executives with substantial experience acting in G-7 and emerging markets, including Brazil, created PPLAI (formerly, BTG Investments L.P. at such time) in October 2008, a global investment business with offices in São Paulo, Rio de Janeiro, London, New York and Hong Kong.

PPLAI had approximately US\$1.3 billion in AUM (including proprietary and third party capital) and more than 100 employees when its Partners signed a contract to acquire the former Banco BTG Pactual (then Banco UBS Pactual S.A.) and its subsidiaries on May 11, 2009. The transaction represented the return of many members of our Senior Management Team to the bank, and reunited this team with many of their former partners who had remained at the bank throughout the period following the sale to UBS AG. The transaction closed in September 2009, creating the group now known as BTG Pactual.

In December 2010, together with PPLAI, we issued US\$1.8 billion in capital to a consortium of prestigious international investors and certain senior Partners. This issuance consisted of US\$1.44 billion in new shares issued by us and US\$360.0 million in new PPLAI limited partnership interests issued by PPLAI, representing an interest of approximately 18.65% in us and PPLAI, respectively. This transaction represented a significant step in our strategic development. The consortium brought an impressive group of investors to us, consolidating and expanding our global network and coverage, providing our clients with unique access to opportunities and resources in an increasingly globalized market.

In January 2011, we entered into an agreement to purchase 100% of the shares in Banco PAN held by Grupo Silvio Santos for R\$450.0 million, representing a 37.64% stake in Banco PAN (composed of 51.00% of its

voting shares and 21.97% of its non-voting shares). The transaction was approved by the Central Bank and closed on May 27, 2011.

After registering Banco BTG Pactual S.A. as a foreign company in the Cayman Islands, on June 15, 2011 we completed a merger between Banco BTG Pactual S.A. and BTG Pactual Banking Limited, our former subsidiary. As a result of the merger, BTG Pactual Banking Limited ceased to exist, and Banco BTG Pactual S.A. received a Category “B” Banking License and a Trust License from the Cayman Islands Monetary Authority. The transaction resulted in the conversion of BTG Pactual Banking Limited into our Cayman Islands Branch.

On February 8, 2012, we acquired 100% of the shares of Celfin Capital, the leading brokerage (in equity volumes) in Chile with presence also in Peru and Colombia, to further increase our presence in the Latin American market. Celfin has a broad range of products and services in the areas of investment banking, products and financial services, asset management and wealth management. The total purchase price was approximately R\$930 million.

On April 30, 2012, we completed our initial public offering, the majority of which constituted a primary new issuance of securities, resulting in gross proceeds to the BTG Pactual Group of approximately R\$2,587.5 million, of which Banco BTG Pactual received R\$2,070.0 million. We used our portion of the proceeds from the initial public offering of the BTG Pactual Group to increase our corporate lending and sales and trading operations and develop new lines of business.

In December 2012, Banco BTG Pactual acquired Bolsa y Renta for approximately R\$120.5 million. Bolsa y Renta is the largest stockbroker in Colombia. The acquisition was an important step in our expansion throughout Latin America as it combined Bolsa y Renta’s position in the growing Colombian market with the strength and reputation of Banco BTG Pactual’s business platforms in Brazil, Chile, Peru and Colombia.

On December 19, 2014, we acquired certain credits and other rights held by Fundo Garantidor de Créditos (“FGC”) against Banco Bamerindus do Brasil S.A. and its affiliates, or, collectively, Bamerindus, in extrajudicial liquidation. This transaction resulted in our acquiring control of Bamerindus, with 98.8% of its total and voting capital. Bamerindus’ extrajudicial liquidation process was concluded on the same date, and Banco BTG Pactual changed Bamerindus’ name to Banco Sistema S.A.

On September 30, 2015, we completed the acquisition of 100% of the shares of BSI S.A., a Swiss private bank, for a total consideration of CHF1,248 million, in cash and BSI shares.

Since November 25, 2015, the BTG Pactual Group was affected by events related to the former chief executive officer of Banco BTG Pactual and controlling shareholder, Mr. André Santos Esteves. Even though no entity in the BTG Pactual Group was named in any investigation or allegation, and Mr. Esteves was ultimately acquitted of all charges by the court of competent jurisdiction on July 12, 2018, news relating to Mr. Esteves impacted the price of our units and bonds, and thus our management decided to adopt a series of actions to preserve liquidity and capital. One of the measures adopted was to sell Banco BTG Pactual’s interest in BSI. On November 1, 2016, Banco BTG Pactual sold BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration for the sale comprised of: (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million in bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF390 million. The purchase price was later reduced by CHF 89 million as a result of an arbitration with EFG. In addition, on April 8, 2016, Banco BTG Pactual decided to spin-off its commodity trading activities, with the exception of its Brazilian energy trading desk, from the operational structure of Banco BTG Pactual and to reorganize its commodities platform under Engelhart CTP.

On February 14, 2017, our and PPLA’s board of directors approved two new unit programs, which are currently traded on the B3 Exchange. The first unit program includes units traded under the “BPAC11” ticker symbol and comprised of one common share and two class A preferred shares issued by Banco BTG Pactual. The second unit program includes units traded under the “BBTG12” ticker symbol and comprised of one BDR representing one class A share and one BDR representing two class B shares issued by PPLA Participations (formerly, BTG Pactual Participations Ltd).

On October 26, 2018, we concluded a corporate reorganization pursuant to which 1,502,975,267 of our common shares and 449,356,340 of our class B preferred shares previously held by BTG Pactual Holding, our

previous direct controlling shareholder, were contributed to the capital of BTG Pactual Holding Financeira, a newly-formed company in which BTG Pactual Holding holds approximately 99.9% of the share capital. The corporate purpose of BTG Pactual Holding Financeira is exclusively to hold equity interest in financial and other institutions authorized by the Central Bank. Such corporate reorganization aimed to align BTG Pactual Holding's structure with applicable Brazilian legislation, and did not entail any modification to our ultimate ownership structure.

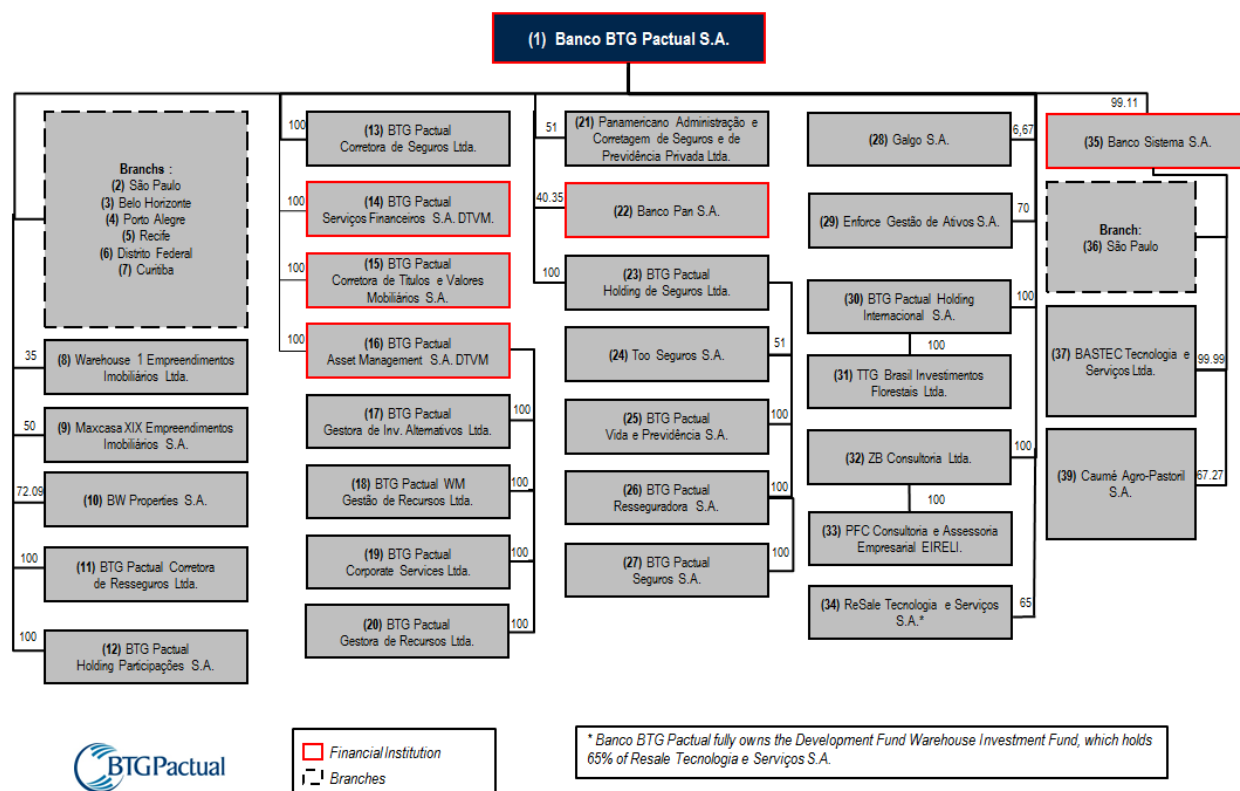
On December 28, 2018, Marcelo Kalim, one of our Controlling Partners, executed a contract to transfer his entire ownership interest in G7 Holding. In order to recompose our controlling group, André Santos Esteves, our former Chief Executive Officer, will join G7 Holding once all applicable regulatory approvals are obtained. As a result of the changes described above, assuming receipt of the requisite regulatory approvals, it is expected that the Controlling Partners will be: Roberto Balls Sallouti, Renato Monteiro dos Santos, Antonio Carlos Porto Filho, Guilherme da Costa Paes and André Santos Esteves. The relevant regulatory approval processes remain ongoing.

On June 25, 2019, we completed a 100.0% secondary follow-on equity offering pursuant to which BTG Pactual Holding sold 55,200,000 units at the offering price of R\$46.00 per unit. We did not receive any proceeds from this offering.

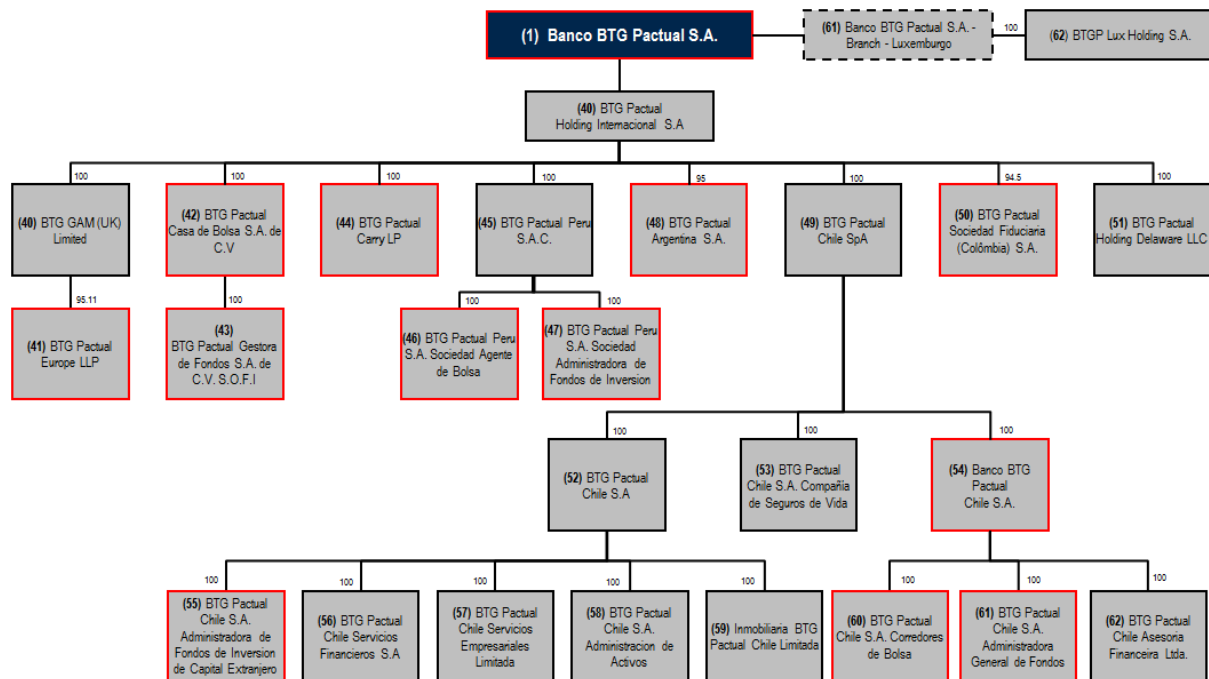
Our Organizational Structure

The diagrams below depict our simplified ownership structure in Brazil and abroad, respectively, as of the date of this Offering Memorandum. For information regarding our principal subsidiaries, see “Business—Overview—Subsidiaries.”

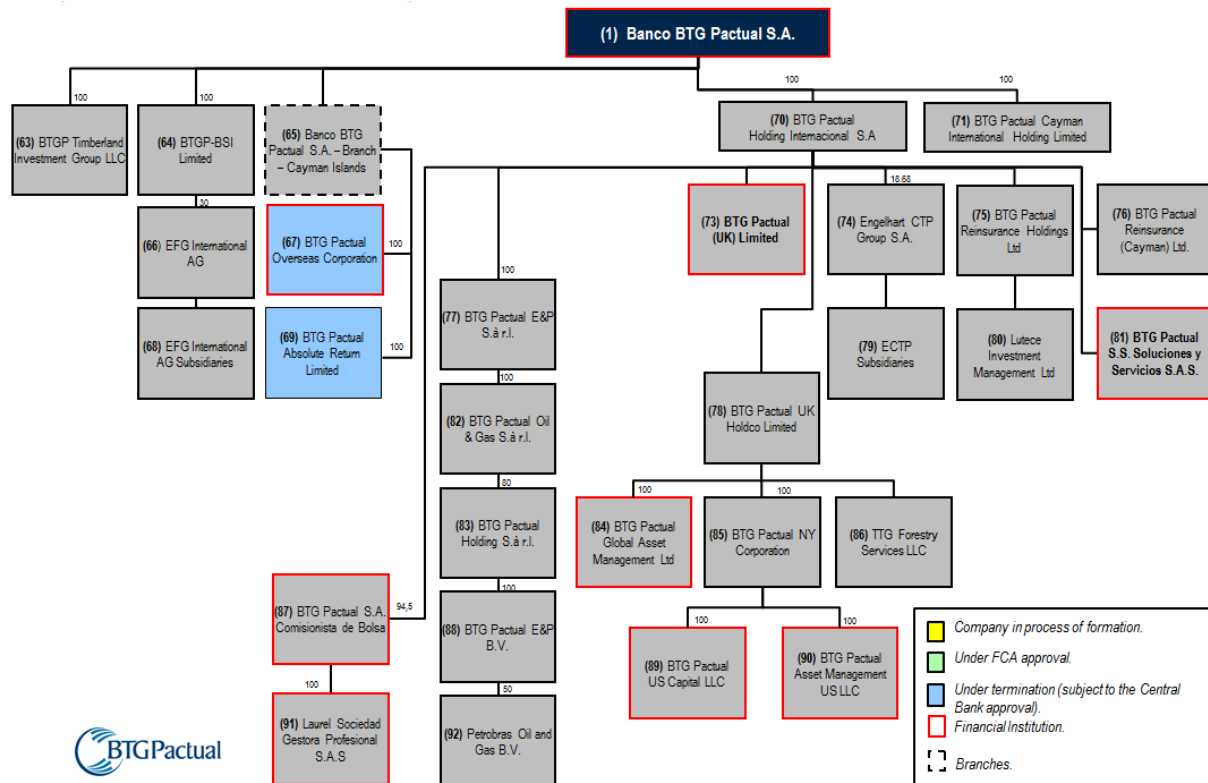
Organizational Structure – Brazil



Organizational Structure – Abroad



Financial Institution
 Branches



Company in process of formation.
 Under FCA approval.
 Under termination (subject to the Central Bank approval).
 Financial Institution.
 Branches.

THE OFFERING

The following is a brief summary of the terms and conditions of the Notes and is subject to and qualified in its entirety by the section “Terms and Conditions of the Notes” in this Offering Memorandum and the Trust Deed relating thereto. Terms which are defined in other sections of the Offering Memorandum or in the Terms and Conditions of the Notes have the same meaning when used in this summary.

Issuer	Banco BTG Pactual S.A., acting through its principal office in Brazil or its Cayman Islands Branch.
Description	Global Medium-Term Note Programme.
Arranger	BTG Pactual US Capital, LLC.
Dealers	BTG Pactual US Capital, LLC. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Memorandum to “Permanent Dealers” are to the persons listed above as continuing Dealers and to such additional persons that are appointed as continuing Dealers in respect of the Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	Deutsche Trustee Company Limited.
London Paying Agent	Deutsche Bank AG, London Branch.
Principal Paying Agent	Deutsche Bank AG, London Branch or such other Principal Paying Agent as specified in the relevant Final Terms.
Paying Agents	The London Paying Agent, Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas and any other Paying Agent as specified in the relevant Final Terms.
Registrars	Deutsche Bank Trust Company Americas (the “U.S. Registrar”) and Deutsche Bank Luxembourg S.A. (the “European Registrar”), as specified in the relevant Final Terms.
Transfer Agents	Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas and any other Transfer Agent as specified in the relevant Final Terms.
Calculation Agent	Deutsche Bank AG, London Branch.
Final Terms	The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to any Notes and any other relevant provisions of such Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Notes and will be specified in the relevant Final Terms. The Final Terms will, for the purposes of each Series and Tranche, complete the Terms and Conditions of the Notes and this Offering Memorandum and must be read in conjunction with this Offering Memorandum.

Currency	Subject to compliance with all relevant laws, regulations and directives, any currency as may be agreed between the Issuer and the relevant Dealer(s).
Amount	Up to US\$5,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of Notes. Under the Dealer Agreement, the nominal amount of Notes which may be issued under the Programme may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of Notes outstanding, Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortization yield formula as specified in the relevant Final Terms or, if none is specified in the relevant Final Terms, their face amount and Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity from 30 days or such other minimum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price	Notes may be issued at their nominal amount or at a discount to or premium over their nominal amount.
Method of Issue	The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms.
Form of Notes	<p>The Notes may be issued in the form of Bearer Notes or Registered Notes, as specified in the relevant Final Terms.</p> <p>Subject as provided below, each Series of Bearer Notes will be represented on issue by a Temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary—The Offering—Selling Restrictions”), otherwise such Series will be represented by a permanent Global Note.</p> <p>Each Series of Registered Notes will be represented on issue by an Unrestricted Global Note and/or a Restricted Global Note.</p>
Clearing Systems	Euroclear and Clearstream, Luxembourg for Bearer Notes, Euroclear, Clearstream, Luxembourg and DTC for Registered Notes.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Temporary Global Note or Global Note representing Bearer Notes may be deposited with a common

depository for Euroclear and Clearstream, Luxembourg or the Unrestricted Global Note and/or Restricted Global Note representing Registered Notes may be registered in the name of and deposited with a nominee of a common depository for Euroclear and Clearstream, Luxembourg or a nominee of DTC. Notes may also be deposited with any other clearing system or may be delivered outside any clearing system *provided* that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Denomination	Notes will be in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and specified in the relevant Final Terms, save that (i) unless otherwise permitted by then-current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to a class of professional investors; and (ii) Registered Notes resold pursuant to Rule 144A shall be in denominations of not less than US\$200,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) or higher integral multiples of US\$1,000.
Fixed Rate Notes	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or</p> <p>(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.</p> <p>Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both.</p>
Zero Coupon Notes	Zero Coupon Notes do not bear interest but will ordinarily be issued at a discount to their nominal amount. The amount payable on early redemption of a Zero Coupon Note will be specified in the relevant Final Terms.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies) and be issued only to a limited class of professional investors.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
Optional Redemption	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so, the terms applicable to such redemption.
Status of Notes	All Notes issued under the Programme will be direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking at all times <i>pari passu</i> and without any preference among themselves.
Negative Pledge	<p>So long as any Notes remain outstanding, the Issuer will not create or permit to subsist any mortgage, pledge, lien, hypothecation or other security interest, other than Permitted Security, over the whole or any part of its undertaking or assets, present or future, to secure any of its Public External Indebtedness without, at the same time or prior thereto, securing the Notes equally and ratably therewith.</p> <p>Each of the terms “Public External Indebtedness” and “Permitted Security” is defined in “Terms and Conditions of the Notes—Negative Pledge.”</p>
Early Redemption	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes— Redemption and Purchase.”
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding or deduction for or on account of taxes of Brazil, the Cayman Islands or any other jurisdiction from or through which payments under the Notes are made, unless such withholding or deduction is required by law and subject to customary exceptions, all as described in “Terms and Conditions of the Notes—Taxation.”
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

Ratings	The rating of certain series of Notes to be issued under the Programme may be specified in the applicable Final Terms.
Listing	Application has been made for the Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market. However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or trade on the Euro MTF Market. The relevant Final Terms will specify whether or not Notes of the relevant Series will be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange and/or markets.
Selling Restrictions	See “Subscription and Sale.” Each Series of Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Transfer Restrictions	There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A or in reliance on Regulation S under the Securities Act. See “Transfer Restrictions.”
Tax Considerations	For a discussion of certain Brazilian, Cayman Islands, European and United States federal income tax considerations regarding the acquisition, ownership and disposition of the Notes, see “Taxation.”
ERISA Considerations	The Notes should not be acquired by an “employee benefit plan” (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended) (“ERISA”) that is subject to Title I of ERISA, a “plan” (as defined in Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) that is subject to Section 4975 of the Code, any non-U.S., governmental or church plan that is not subject to such provisions of ERISA or the Code but is subject to the provisions of any non-U.S. or U.S. federal, state or local law that is substantially similar to the Title I of ERISA or Section 4975 of the Code (“Similar Law”), or any entity or account whose assets are deemed to be assets of any such employee benefit plan or plan, unless the purchase and holding of the Notes by such plan, entity or account will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a similar violation of any applicable Similar Law. Each purchaser and/or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA, the Code and Similar Law. Potential purchasers should read the sections entitled “Certain ERISA Considerations” and “Transfer Restrictions.”

SUMMARY FINANCIAL AND OPERATING INFORMATION

The tables below set forth our summary financial and operating information as of and for the periods indicated. You should read the information below in conjunction with our consolidated financial statements and related notes and the sections “Presentation of Financial and Other Information,” “Selected Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following summary financial data has been derived from our (i) unaudited interim consolidated financial statements as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 and the notes thereto and (ii) audited consolidated financial statements as of and for the years ended December 31, 2018, 2017 and 2016 and the notes thereto, which are included elsewhere in this Offering Memorandum.

The presentation of our audited income statement is based upon accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (Brazilian GAAP) and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an unaudited adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market. Our unaudited adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be considered in isolation or construed as segment information under IFRS 8 because our management does not rely on this information for decision-making purposes. Accordingly, our unaudited adjusted income statement may differ from the presentation and segmentation used by other banks and companies. Furthermore, our unaudited adjusted income statement has not been audited or reviewed by our independent auditors. Accordingly, you are cautioned to not place undue reliance on our unaudited adjusted income statement.

Our unaudited adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. Our unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. The classification of the line items in our unaudited adjusted income statement, however, has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement. See “Presentation of Financial and Other Information—Financial Statements—Our Unaudited Adjusted Income Statement.”

We have translated some of the *real* amounts included in this Offering Memorandum into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$4.1644 to US\$1.00 which was the exchange rate in effect as of September 30, 2019, as published by the Central Bank on its electronic information system, SISBACEN. The U.S. dollar equivalent information presented in this Offering Memorandum are provided solely for the convenience of the reader and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into U.S. dollars or Swiss Francs at such rates or at any other rate. The *real*/U.S. dollar exchange rate has recently been subject to a high degree of volatility and may continue to fluctuate to a significant extent and, accordingly, the exchange rate as of September 30, 2019 may not be indicative of future exchange rates. We have not updated the translation rates used above for a most recent date as the translation have been performed solely for convenience and therefore should not be considered in making an investment decision. See “Exchange Rates” for information regarding the *real*/U.S. dollar exchange rates.

Summary Balance Sheet Data

	As of December 31,				As of September 30,	
	2016	2017	2018	2018	2019	2019
	(in R\$ millions)			(in US\$ millions) ⁽¹⁾	(in R\$ millions)	(in US\$ millions) ⁽¹⁾
Assets						
Cash at banks	674.1	4,347.2	979.2	235.1	1,056.6	253.7
Interbank investments	20,752.7	27,792.3	43,497.2	10,445.0	32,561.2	7,818.9
Securities and derivative financial instruments	37,486.2	42,288.0	29,991.7	7,201.9	40,665.4	9,765.0
Interbank transactions	2,235.3	1,703.6	1,635.6	392.8	1,240.2	297.8
Loans.....	9,513.4	13,026.2	18,219.6	4,375.1	24,330.4	5,842.5
Securities trading and brokerage	2,790.9	3,598.4	3,877.2	931.0	4,683.9	1,124.8
Other receivables.....	29,524.5	28,171.3	29,990.2	7,201.6	54,783.4	13,155.2
Other assets	153.5	127.2	259.2	62.2	287.1	68.9
Permanent assets	8,640.9	5,537.4	9,196.5	2,208.4	8,378.1	2,011.8
Total assets.....	111,771.6	126,591.6	137,646.4	33,053.1	167,986.2	40,338.6
Liabilities and Shareholders' equity						
Deposits.....	7,690.8	9,178.3	20,950.1	5,030.8	21,059.6	5,057.1
Open market funding.....	24,904.0	33,890.2	35,575.0	8,542.6	31,541.6	7,574.1
Funds from securities issued and accepted	10,335.7	10,289.5	14,396.3	3,457.0	21,270.0	5,107.6
Interbank transactions	5.1	5.4	6.8	1.6	4.6	1.1
Interdependencies transactions	82.6	24.4	74.9	18.0	215.5	51.8
Loans and onlending	3,544.8	4,729.9	4,969.6	1,193.4	4,251.5	1,020.9
Derivative financial instruments.....	9,644.9	14,161.8	2,813.5	675.6	5,224.5	1,254.6
Other liabilities						
Securities trading and brokerage.....	4,102.0	4,232.6	5,200.8	1,248.9	5,243.3	1,259.1
Subordinated debts	7,283.0	6,317.2	5,266.2	1,264.6	5,796.5	1,391.9
Debt instrument eligible to equity	4,305.2	3,043.3	6,065.6	859.6	2,487.8	597.4
Other liabilities	21,879.1	21,942.3	23,214.3	6,171.4	49,687.6	11,931.5
Deferred income.....	141.8	120.6	130.0	31.2	178.1	42.8
Non-controlling interest	125.5	132.4	138.7	33.3	204.5	49.1
Shareholders' equity.....	17,727.2	18,523.7	18,844.9	4,525.2	20,821.1	4,999.8
Total liabilities and shareholders' equity ..	111,771.6	126,591.6	137,646.4	33,053.1	167,986.2	40,338.6

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for reais into U.S. dollars of R\$4.1644 to US\$1.00.

Summary Income Statement Data

	For the year ended December 31,				For the nine months ended September 30,		
	2016	2017	2018	2018	2018	2019	2019
	(in R\$ millions)			(in US\$ millions) ⁽¹⁾	(in R\$ millions)		(in US\$ millions) ⁽¹⁾
Financial income	13,451.1	9,523.7	9,893.4	2,375.7	7,208.9	9,149.2	2,197.0
Loans	1,809.4	1,529.7	1,339.5	321.6	928.2	1,347.7	323.6
Securities	4,969.8	5,873.3	5,934.1	1,425.0	4,281.1	4,823.7	1,158.3
Derivative financial instruments	4,161.8	1,596.7	2,069.9	497.0	1,659.3	2,911.9	699.2
Foreign exchange.....	2,308.0	376.7	435.6	104.6	270.9	0.0	0.0
Mandatory investments.....	202.1	147.4	114.4	27.5	69.4	66.0	15.8
Financial expenses	(6,642.6)	(5,633.2)	(7,092.9)	(1,703.2)	(5,475.9)	(6,228.9)	(1,495.8)
Funding operations	(7,111.4)	(5,172.7)	(5,318.1)	(1,277.0)	(3,532.9)	(4,140.8)	(994.3)
Borrowings and onlending	565.8	(567.3)	(1,628.8)	(391.1)	(1,906.9)	(1,382.4)	(332.0)
Foreign exchange.....	0.0	0.0	0.0	0.0	0.0	(415.2)	(99.7)
Allowance for loan losses and other receivables	(97.0)	106.8	(146.1)	(35.1)	(36.2)	(290.6)	(69.8)
Net financial income	6,808.5	3,890.5	2,800.5	672.5	1,732.9	2,920.3	701.3
Other operating income (expenses)	(2,554.1)	(2,117.4)	208.6	50.1	117.0	1,118.9	268.7
Income from services rendered	2,697.8	1,597.0	2,171.7	521.5	1,539.6	2,172.6	521.7
Personnel expenses	(1,676.6)	(648.9)	(776.8)	(186.5)	(574.2)	(602.2)	(144.6)
Other administrative expenses	(2,134.8)	(2,679.7)	(1,212.5)	(291.1)	(888.0)	(949.0)	(227.9)
Tax charges.....	(556.1)	(240.7)	(296.3)	(71.1)	(203.2)	(303.1)	(72.8)
Equity in the earnings of associates and jointly controlled entities	(794.0)	4.8	36.5	8.8	(71.5)	826.5	198.5
Other operating income	1,266.8	895.5	589.7	141.6	727.9	251.5	60.4
Other operating expenses.....	(1,357.1)	(1,045.4)	(303.8)	(72.9)	(413.6)	(277.5)	(66.6)
Operating income	4,254.4	1,773.1	3,009.0	722.6	1,850.0	4,039.2	969.9
Non-operating income (expenses)	940.1	4.7	137.8	33.1	141.0	27.6	6.6
Income before taxation and profit sharing	5,194.5	1,777.9	3,146.9	755.7	1,991.0	4,066.8	976.6
Income tax and social contribution	(1,112.9)	1,287.2	(152.9)	(36.7)	165.5	(653.1)	(156.8)
Provision for income tax.....	(190.8)	(160.0)	(657.5)	(157.9)	(719.8)	(330.5)	(79.4)
Provision for social contribution.....	(157.1)	(42.6)	(589.3)	(141.5)	(598.5)	(204.0)	(49.0)
Deferred income tax and social contribution.....	(765.1)	1,489.8	1,094.0	262.7	1,483.8	(118.5)	(28.5)
Statutory profit sharing	(721.5)	(689.1)	(626.3)	(150.4)	(338.4)	(761.8)	(182.9)
Non-controlling interest	48.5	7.9	(6.9)	(1.7)	(9.8)	(2.7)	(0.7)
Net income	3,408.6	2,383.9	2,360.8	566.9	1,808.3	2,649.2	636.1
Interest on equity	(1,390.0)	(1,223.7)	(1,196.6)	(287.3)	(592.5)	(624.0)	(149.8)

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

Unaudited Adjusted Income Statement Data

	For the year ended December 31,				For the nine months ended September 30,		
	2016	2017	2018	2018	2018	2019	2019
	(in R\$ millions)			(in US\$ millions) ⁽¹⁾	(in R\$ millions)		(in US\$ millions) ⁽¹⁾
Investment banking	367.1	366.6	464.0	111.4	378.0	642.6	154.3
Corporate lending	876.6	790.1	848.8	203.8	715.4	584.5	140.4
Sales and trading	2816.5	2,389.0	1,539.4	369.7	1,042.3	2,123.2	509.8
Asset management.....	539.6	486.3	717.0	172.2	438.2	584.0	140.2
Wealth management.....	2407.9	368.7	472.2	113.4	352.4	446.5	107.2
Principal investments	(29.8)	15.1	690.7	165.9	362.7	716.9	172.2
Participations.....	(112.8)	(15.5)	4.7	1.1	30.6	374.5	89.9
Interest and other	1932.1	1,127.2	615.4	147.8	483.8	374.9	90.0
Total revenues, net of direct expenses allocation.....	8,797.1	5,527.5	5,352.2	1,285.2	3,803.6	5,847.2	1,404.1
Bonus	(805.8)	(745.5)	(685.0)	(164.5)	(386.8)	(771.6)	(185.3)
Salaries and benefits.....	(1,637.4)	(529.4)	(614.7)	(147.6)	(458.6)	(497.7)	(119.5)
Administrative and others	(1,707.9)	(852.6)	(840.6)	(201.9)	(611.3)	(698.4)	(167.7)
Goodwill amortization.....	(243.8)	(279.8)	(146.5)	(35.2)	(106.8)	(114.3)	(27.4)
Tax charges, other than income tax	(370.7)	(244.0)	(272.8)	(65.5)	(187.5)	(298.3)	(71.6)
Total operating expenses.....	(4,765.6)	(2,651.3)	(2,559.6)	(614.6)	(1,751.0)	(2,380.3)	(571.6)
Income before taxes.....	4,031.5	2,876.2	2,792.6	670.6	2,052.6	3,466.8	832.5
Income tax and social contribution revenue (expense)	(623.0)	(492.3)	(431.8)	(103.7)	(243.9)	(817.7)	(196.4)
Net income	3,408.5	2,383.9	2,360.8	566.9	1,808.7	2,649.2	636.1

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

THE ISSUER

All Notes under this Programme will be issued by us, either through our principal office in Brazil or our Cayman Islands Branch, as specified on the Notes and the Final Terms related thereto.

Banco BTG Pactual, acting through its principal office in Brazil

For additional information regarding Banco BTG Pactual, see “Summary,” “Business” and “Management Discussion and Analysis of Financial Condition and Results of Operations.”

The Cayman Islands Branch

Our Cayman Islands Branch is duly licensed and qualified to do business as a branch of a foreign bank in accordance with the laws of the Cayman Islands.

The establishment of the Cayman Islands Branch was approved by the Central Bank on March 31, 2011.

The Cayman Islands Branch is obligated to comply with the risk limits and guidelines established by the Central Bank regarding both assets and liabilities. Under Brazilian law, the obligations of the Cayman Islands Branch are obligations of Banco BTG Pactual.

The registered office of our Cayman Islands Branch is located at PO Box 1353, Harbour Place, 5th Floor, 103 South Church Street, Grand Cayman KY1-1108, Cayman Islands.

RISK FACTORS

Investing in our Notes involves a high degree of risk. You should carefully consider all of the information set forth in this Offering Memorandum, including the risks described below, before making an investment decision. If any of the following risks actually occurs, we will be adversely affected and you could lose all or part of your investment. The risks described below are those that we currently believe may adversely affect us. Additional risks and factors not currently known to us, or those that we currently deem to be immaterial, may also adversely affect us.

For the purposes of this section, when we state that a risk, uncertainty or problem may, could or will have an “adverse effect on us” or “will adversely affect us,” we mean that the risk, uncertainty or problem could have an adverse effect on our business, financial condition, results of operations, cash flow, liquidity and/or prospects and/or the trading price of our Notes, except as otherwise indicated.

Risks Relating to Our Business and Industry

We may incur significant losses from our trading and investment activities due to market fluctuations and volatility.

We maintain large trading and investment positions in the fixed income, currency, commodity and equity markets – both in Brazil and elsewhere, including in Europe and the United States. To the extent that we have long positions in any of our assets in any of those markets, a downturn in those markets could result in losses from a decline in the value of those long positions. Conversely, to the extent that we have short positions in any of those markets, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market. We may from time to time have a trading strategy consisting of holding a long position in one asset and a short position in another, from which we expect to earn revenues based on changes in the relative value of the two assets. Many of our hedging strategies are based on trading patterns and correlations. If, however, the relative value of the two assets changes in a direction or manner that we did not anticipate or against which we are not hedged, we may realize a loss in those paired positions. Accordingly, our hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. Unexpected market developments could impact our hedging strategies in the future. In addition, we maintain substantial trading and investment positions that can be adversely affected by the level of volatility in the financial markets (i.e., the degree to which trading prices fluctuate over a particular period, in a particular market) regardless of market levels.

We depend on our Senior Management Team and the departure of any member of this team could adversely affect our ability to execute our business strategies and investment policies.

We are dependent on our Senior Management Team for the development and the execution of our business strategies and investment policies, including the management and operation of our businesses. Our success depends to a significant extent on the continued service of our Senior Management Team. We also rely on the network of business contacts, track records and reputation of these individuals.

Any member of our Senior Management Team may leave us to establish or work in businesses that compete with ours. In addition, if any member of our Senior Management Team joins an existing competitor or forms a competing firm, some of our clients could choose to use the services of that competitor. There is no guarantee that the agreements we have entered into with our Senior Management Team, such as compensation arrangements and non-competition agreements, are sufficiently broad or effective to prevent them from resigning in order to join or establish a competitor or that the non-competition agreements would be upheld in a court of law if we were to seek to enforce our rights thereunder. See “Our Partnership—Partner Non-Competition Agreements.”

For example, following the arrest, detainment and temporary suspension of employment of our former chief executive officer and chairman of our board of directors, André Santos Esteves, in 2015 over allegations of obstruction of justice and participation in a criminal enterprise (which charges he was ultimately acquitted of by the court of competent jurisdiction on July 12, 2018), we confronted a series of significant operational and financial challenges and related adverse effects (see “Business—Legal Matters”). While Mr. Esteves resumed working with us as a senior Partner following his release from house arrest in April 2016, the existing procedures involving him or

further accusations against him or other senior managers, whether substantiated or not, could have a material adverse effect on our reputation and business. In the event of the further departure or suspension of members of our Senior Management Team, we may confront difficulties in finding suitable replacements, which could have a material adverse effect on us.

Our ability to retain our professionals is critical to our success and our ability to grow and continue to compete effectively may depend on our ability to attract additional Partners and key professionals.

Our most important asset is our people, and our success (including our ability to compete effectively in our businesses) is highly dependent upon the efforts of all of our Partners (and, most importantly, our Senior Management Team). As a result, our growth and future success depends to a substantial degree on our ability to retain and motivate our Partners and other key professionals and to strategically recruit, retain and motivate new talent, including new Partners and key professionals. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel for any reason as the market for qualified investment professionals is extremely competitive. For example, the recently departed former chairman of our board of directors, Marcelo Kalim, co-founded a digital consumer banking platform with other former Partners (see “Principal Shareholders”). Our ability to attract, retain and motivate such personnel is dependent on our ability to offer highly attractive incentive opportunities. The incentives that we provide or offer to such personnel may not be effective to attract, retain and motivate such personnel, particularly in a scenario when our performance is suffering.

Holding large and concentrated positions may expose us to large losses.

We have committed substantial amounts of capital to our businesses such as arbitrage, market-making, underwriting, lending and other trading and principal activities and may continue to do so in the future. These types of businesses often require us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. Moreover, the trend in all major capital markets is towards larger and more frequent commitments of capital in many of these activities. Holding large and concentrated positions in any particular issuer may expose us to large losses that could adversely affect us.

Our securities and derivative financial instruments are subject to market price and liquidity variations due to changes in economic conditions and may produce material losses that may adversely affect us.

Financial instruments and securities represent a significant amount of our total assets. Any realized or unrealized future gains or losses from these investments or hedging strategies could have a significant impact on our income. These gains and losses, which we account for when we sell or mark-to-market investments in financial instruments, can vary considerably from one period to another. For example, we enter into derivatives transactions to protect us against decreases in the value of the *real* (or any other currency) or in interest rates and the *real* (or any other currency) instead increases in value or interest rates increase, we may incur financial losses. We cannot forecast the amount of gains or losses in any future period, and the variations experienced from one period to another, do not necessarily provide a meaningful forward-looking reference point, particularly in Brazil given the current climate of market volatility. Gains or losses in our investment portfolio may create volatility in net revenue levels, and we may not earn a return on our consolidated investment portfolio, or on a part of the portfolio in the future. Any losses on our securities and derivative financial instruments could adversely affect us. In addition, the risk is amplified as the Brazilian economy slowly emerges from a prolonged recession and an ongoing political uncertainty. Any decrease in the value of these securities and derivatives portfolios may result in a decrease in our capital ratios, which could impair our ability to engage in certain activities, such as lending or securities trading, at the levels we currently anticipate, and may also adversely affect our ability to pursue our growth strategies.

Our investment banking, corporate lending and sales and trading revenues may suffer in adverse market or economic conditions.

Unfavorable financial or economic conditions, both in Brazil and elsewhere, would likely reduce the number and size of transactions in which we provide underwriting, mergers and acquisitions advisory and other services. Unfavorable or uncertain economic and market conditions can be caused by: (i) declines in economic growth, business activity or investor or business confidence; (ii) limitations on the availability or increases in the cost of credit and capital; (iii) increases in inflation, interest rates, exchange rate volatility, default rates or the price

of basic commodities; (iv) outbreaks of hostilities or other geopolitical instability; (v) corporate, political or other scandals that reduce investor confidence in capital markets; or (vi) a combination of these or other factors.

Our investment banking revenues in the form of financial advisory and underwriting fees are directly related to the number and size of the transactions in which we participate and would therefore be adversely affected by a sustained market downturn – even if the market downturn was primarily outside of Brazil. In particular, our results of operations would be adversely affected by a significant reduction in the number or size of offerings which we underwrite.

In addition, adverse economic conditions such as a prolonged slowdown in the Brazilian economy could adversely affect our commercial and consumer lending and our sales and trading business. Historically, GDP growth rates impact the volume of loans in Brazil as growth translates into an increase in income distribution and increased consumption. The significant growth in Brazil's GDP from 2008 to 2010 corresponded with an average increase in the volume of loans for the Brazilian banking industry. Beginning in 2011, however, Brazilian GDP has demonstrated stagnated growth devolving into a prolonged recession. In 2014, Brazilian GDP grew only 0.5%, and registered losses in GDP of 3.5% and 3.3% in 2015 and 2016, respectively. In the first half of 2017, Brazilian GDP did not present any growth when compared to the first half of 2016 due to worsening inflation, a series of tax increases, spending cuts and decreased consumer confidence. However, Brazil's GDP grew 1.1% overall in 2017 compared to a contraction of 3.3% in 2016. In 2018, Brazilian GDP grew 1.1%.

Our investment banking advisory assignments do not necessarily lead to subsequent assignments.

Our clients generally retain us on a non-exclusive, short-term, assignment-by-assignment basis in connection with specific investment banking transactions or projects, rather than under exclusive long-term contracts. This is particularly true with respect to mandates to sell all or a significant portion of a client's business. Since these transactions and engagements do not necessarily lead to subsequent assignments, we must constantly seek out new engagements, mainly when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in the subsequent or any other period. In addition, when an engagement is terminated, whether due to the cancellation of a transaction as a result of market conditions or otherwise, we may earn limited or no fees and may not be able to recuperate the costs that we incurred prior to such termination.

Our asset management and wealth management business units may be affected by the poor investment performance of our investment products.

Poor investment returns in our asset management and wealth management business units due to underperformance (relative to our competitors or to benchmarks) by funds or accounts that we manage or investment products that we design or sell, affects our ability to retain existing assets and to attract new clients or additional assets from existing clients. This could adversely affect the management and performance fees that we earn on assets under management.

We may generate lower revenues from asset and wealth management fees in a market downturn and as a result of events that negatively affect our reputation.

A sustained market downturn could lead to a decline in the volume of transactions that we execute for our clients and, therefore, the revenues we receive from our asset and wealth management operations could further decline. For example, confronted with a challenging macroeconomic scenario in Brazil and in part due to the reputational consequences emanating from the arrest of André Santos Esteves in 2015, our revenues from asset management declined from R\$1,378.3 million in 2014 to R\$486.3 million in 2017. In addition, a market downturn may increase redemptions from clients migrating assets to more traditional and less risky classes of assets or reduce the value of clients' portfolios. Because the fees that we charge for managing our clients' portfolios are in many cases based on the value of those portfolios, any of these factors could reduce the revenue we receive from our asset and wealth management operations.

We are vulnerable to disruptions and volatility in the global financial markets as well as to government action intended to alleviate the effects of any such financial crisis.

Our operations cause us to interact with a diverse group of counterparties, clients and other entities located in multiple jurisdictions. Accordingly, as a participant in the global economy, we are susceptible to interruptions and challenges emanating from disruptions and instability in the global financial markets. For example, as a result of the 2008 credit and liquidity crisis, a number of major financial institutions, including some of the largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, experienced significant difficulties. In particular, banks in many markets, including Brazil, faced decreased liquidity or a complete lack of liquidity, rapid deterioration of financial assets on their balance sheets and resulting decreases in their capital ratios that severely constricted their ability to engage in further lending activity. We routinely transact with such institutions as trading counterparties in various agreements and contracts in the financial services industry, as well as brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. If significant financial counterparties experience liquidity problems or the financial services industry in general is unable to fully recover from the effects of a financial crisis, this can have an adverse effect on us.

In addition, in June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as “Brexit.” The announcement of Brexit and the withdrawal of the United Kingdom from the European Union have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these effects of Brexit, among others, could adversely affect our business, our results of operations, liquidity and financial condition.

Moreover, the financial condition of our borrowers has, in some instances, been adversely affected by the financial and economic crisis, including the European debt crisis starting in 2010, which, in turn, increased our non-performing loans, impaired our loans and other financial assets and resulted in decreased demand for borrowings in general. Further disruption and volatility in the global financial markets could have further negative effects on the financial and economic environment and us. In addition, a prolonged economic downturn would result in a general reduction in business activity and a consequent loss of income, which could have an adverse effect on us.

We are subject to liquidity risks that may affect our operations and results.

The preservation of an adequate liquidity level is essential to our business, allowing that our obligations to clients and clearings are honored and avoiding that cash shortage generates difficulties to honor our payables.

If, by any reason, we have a liquidity and/or cash flow problem, resulting in a mismatch between our assets and liabilities, also considering the different timescale for settlement of operations with clients, we may not be able to fulfill our financial obligations to our clients and clearings.

Moreover, funds maintained in pending settlement accounts from clients are invested in the market in certain liquidity conditions. There can be no assurance that there will not occur substantial withdrawals in the future, which may generate a mismatch between our assets and liabilities liquidity. In case of withdrawals in extraordinary volumes, we may face difficulties to obtain the necessary funds to honor those withdrawals, leading to a default with the relevant clients and harming our reputation.

Reputational harm to us or our management may generate a loss of trust of our clients and trigger a significant increase in withdrawal volumes, which will possibly contribute to an even larger mismatch between our assets and liabilities liquidity and may result in an increasing default by us.

The occurrence of events related to liquidity risk may substantially affect our activities and results.

We may not be able to efficiently compete in new business segments, particularly in relation to the initiative of BTG Pactual Digital.

An important part of our strategy is to explore new opportunities in the retail banking market, leveraged by technological innovations. Combined with other initiatives, we will integrate our digital retail platform that, under a

unified and exclusively dedicated leadership, will comprise: (a) investment, credit and banking services solutions to retail; (b) credit and other banking services to small and medium-sized businesses; (c) distribution of insurance; (d) investment in Banco PAN; (e) training in data and investment content analysis; and (f) boostLAB, the scale-ups accelerator and business originator. We may not be able to establish ourselves in a competitive way in these new business segments. For example, the traditional retail banking market has more consolidated players with more experience in this segment. In addition, we may have difficulties to structure our operation in a sustainable way, considering the intensive demand for technological innovations, credit availability and necessity of a market with scale. If we are not able to compete in these new market opportunities and to follow technological industry trends, the investments we made in this segment may not achieve the expected returns or even may record adverse results, negatively impacting our financial results.

If we are unable to follow the rapid technological development to provide new innovative products and services, our results may be impacted.

Significant, disruptive and fast technological changes continue to affect the financial services industry. Mobile devices and digital platforms are being increasingly used for financial transactions. We may not be able to retain clients if we do not provide a satisfactory experience in these channels. Different mobile devices and digital platforms use a great variety of techniques and settings, which increases the challenges involved in the provision of financial services through electronic tools. In addition, several other companies with significant resources and a series of innovating start-ups introduced products and services focused on digital solutions. Recently, as a response to this scenario, we implemented our BTG Pactual Digital platform. However, there can be no assurance that we will be able to continue to satisfy the expectations of our clients in the digital environment.

We cannot predict the effects of technological changes on our business. In addition to our own initiatives, we depend, in part, on third parties for the development and access to new technologies. New services and technologies applicable to the financial services industry may arise and the technologies that we currently use in our products and services may become obsolete. Substantial investments and considerable timing may be necessary to develop and incorporate new technologies into our products and services, which may even turn out unsuccessful. Moreover, our capability to adopt new products and services and to develop new technologies may be inhibited by industry standards, changes in laws and regulations, client resistance, intellectual property rights or other factors. Our success will depend, in part, of our ability to develop and incorporate new technologies, face the challenges represented by a rapidly evolving market for financial services provided through electronic tools and adjust to technological changes. If we are not able to timely act in a profitable way, our business and results of operations may be adversely affected.

We are exposed to certain risks that are particular to emerging and other markets.

In conducting our businesses in Brazil, as well as other emerging markets, we are subject to political, economic, legal, operational and other risks that are inherent to operating in these countries. These risks range from difficulties in settling transactions in emerging markets due to possible nationalization, expropriation, price controls and other restrictive governmental actions. We also face the risk that exchange controls or similar restrictions imposed by foreign governmental authorities may restrict our ability to convert local currency received or held by us in their countries into U.S. dollars or other currencies, or to take those dollars or other currencies out of those countries.

In addition, we are subject to contagion and other risks in relation to the political and economic instabilities of other emerging markets in the region. Recent examples of current events in Latin America that may, directly or indirectly, impact us are: (i) the ongoing political instability in Chile arising from social unrest, resulting in protests and riots throughout the country, with corresponding negative effects on the Chilean economy and our BTG Chile operations specifically, (ii) the political crisis in Peru, resulting in the dissolution of the Peruvian congress by President Martín Vizcarra in September 2019 and the issuance of a presidential decree in October 2019 calling for new legislative elections in January 2020, and (iii) the economic crisis in Argentina, resulting in a downgrade of its sovereign debt rating in August 2019, the imposition of capital controls and a general climate of political instability leading up to and following the election of Alberto Fernández, as President, and the former president Cristina Fernández de Kirchner, as Vice-President. As a result of our increasing business volume in Chile, we are particularly exposed and subject to the risks relating to this country.

Changes in base interest rates could adversely affect us.

A significant portion of our business is conducted in Brazil, where the Central Bank's Monetary Policy Committee (*Comitê de Política Monetária*) ("COPOM") establishes the target base interest rate for the Brazilian banking system and uses changes in this rate as an instrument of monetary policy. The base interest rate is the benchmark interest rate payable to holders of certain securities issued by the Brazilian government and traded in the Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*) ("SELIC"). In recent years, the base interest rate (the "SELIC rate"), has fluctuated significantly reflecting the corresponding volatility in the macroeconomic scenario and inflationary environment. During 2014, as a result of increased prospects of inflation and macroeconomic instability, the COPOM increased the SELIC rate, reaching 11.75% as of December 31, 2014. The continued political instability in Brazil coupled with the sustained inflationary environment continued to be reflected in the SELIC rate, corresponding to an increased rate of 14.25% and 13.75% as of December 31, 2015 and December 31, 2016, respectively. As of December 31, 2017 and December 31, 2018, the SELIC rate was 7.00% and 6.50%, respectively, reflecting a historical low. As of the date of this Offering Memorandum, the SELIC rate was 5.00%.

A significant portion of our income, expenses and liabilities is directly tied to interest rates. Therefore, our results of operations and financial condition are significantly affected by inflation, interest rate fluctuations and related government monetary policies.

In addition, U.S. and other international regulators and law enforcement agencies are conducting investigations into a number of rates or indices which are deemed to be "reference rates." Actions by such regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates. For example, the U.K. Financial Conduct Authority (the "FCA") has announced that after 2021 it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark and that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021 by the FCA. As a result, it appears highly likely that LIBOR will be discontinued or modified by 2021.

At this time, it is not possible to predict the effect that these developments, any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates may have on LIBOR, other benchmarks or floating rate debt securities and, in turn, the impact of such changes on us.

A liquidity crisis in Brazil may adversely affect us.

Any international or domestic situation of liquidity constraint could lead to a flight of capital from Brazil and/or cause the Central Bank to increase the base rate of interest drastically, could impact the liquidity in the Brazilian market. Any such liquidity crisis would lead to a scarcity of funding and liquid assets among Brazilian companies and financial institutions, which could harm the credit markets and our business. Any adverse events affecting the Brazilian economy could directly or indirectly impair our customers' ability to pay their debts or adversely impact us in other ways.

Our ability to expand internationally will depend on our ability to compete successfully with financial institutions globally.

We believe that there are attractive opportunities for selective expansion outside Brazil, as evidenced by our 2012 acquisitions of Celfin and Bolsa y Renta, the opening of a bank in Chile in December of 2014 and the opening of our local offices in Bogota and Medellin, Colombia, Mexico City, Mexico and Buenos Aires, Argentina. In order to take advantage of these opportunities, we will have to compete successfully with financial institutions and asset and wealth managers based in important non-Brazilian markets, particularly in Latin America, the United States, Europe and Asia. Some of these institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets than we do. We cannot assure you that our strategy of expanding internationally will be successful.

We may not be able to successfully identify, consummate, integrate, or achieve the benefits from our past and future acquisitions.

Strategic acquisitions have historically been part of our growth strategy and we anticipate that going forward we will continue making strategic acquisitions of businesses or assets that are complementary to our core business, geographies and client coverage. We have engaged in a number of mergers and acquisitions in the past and may make further acquisitions in the future as part of our growth strategy in the financial services industry.

We cannot assure you that we will be able to identify and secure suitable acquisition opportunities. In addition, our ability to make successful acquisitions on terms that are favorable to us may be limited by the number of acquisition targets available, internal demands on our resources and, to the extent necessary, our ability to obtain financing on satisfactory terms for larger acquisitions, as well as our ability to obtain any required shareholders' corporate, regulatory or government approvals. Moreover, even if an acquisition target is identified, the third parties with whom we seek to cooperate may not be willing to enter into arrangements on commercially acceptable terms with respect to a particular transaction. Even if we have entered into definitive agreements to consummate an acquisition, the acquisition may not be completed for an extended period of time, or at all, for various reasons, including failure to satisfy closing conditions or failure to receive the required regulatory approvals or conditions for approval may be imposed that we cannot now anticipate. The negotiation and completion of potential acquisitions, whether or not ultimately consummated, could also potentially disrupt our existing business or divert substantial resources. As a result, our business, growth prospects, results of operations and financial condition could be materially and adversely affected.

In addition, the acquisitions we make may expose us to unknown obligations or contingencies of the acquired companies or assets incurred prior to their acquisition. The due diligence we perform to evaluate the legal and financial condition of the companies to be acquired, as well as any contractual guarantees or indemnities we receive from the sellers of the target companies or businesses, may be insufficient to protect or indemnify us for any contingencies that may surface. Any significant contingencies arising from acquisitions may harm our activities and results. In addition, we may acquire companies that are not subject to independent external audit, which may increase the risks relating to our acquisitions.

Successful integration of our acquisitions is important to achieving our goal of becoming a global leader in financial services. Our inability to realize the benefit of any acquisition may be due to a variety of factors, including our inability to (i) implement our firm's culture at the companies we acquire, (ii) integrate our respective operating and accounting policies and procedures as well as information systems and back office operations with those of the companies we acquire, (iii) streamline overlapping operations and consolidate subsidiaries, (iv) retain existing senior and middle management teams to the extent we deem necessary or carry out anticipated headcount reductions, (v) avoid potential loss of or harm to relationships with the existing clients of the acquired businesses or our existing clients, or (vi) otherwise generate sufficient revenues to offset the costs and expenses of acquisitions.

Moreover, the success of any acquisition will at least in part be subject to a number of economic and other factors that are beyond our control. Any one or a combination of the factors mentioned above may result in our failure to integrate the businesses or assets that we have acquired or will acquire or to obtain the growth or synergies we expect to obtain from a particular transaction. As a result, our business, operating results and financial condition could be materially and adversely affected.

We face enhanced risks as new business initiatives lead us to transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.

Strategic acquisitions, new business initiatives, such as the BTG Pactual Digital, and international expansion may bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and expose us to new asset classes and new markets. Such activities may expose us to new and enhanced risks, including risks associated with dealing with governmental entities, reputational concerns arising from dealing with less sophisticated counterparties and investors or in connection with the manner in which these assets are being operated or held, greater regulatory scrutiny of these activities, and increased credit-related, sovereign and operational risks.

The financial services industry is intensely competitive.

The financial services industry is intensely competitive with significant participants that are local entities as well as local offices or units of major international securities firms and we expect it to remain so. We compete on the basis of a number of factors, including transaction execution, products and services, innovation, reputation and price. We have experienced intense price competition in some of our businesses in recent years, such as underwriting fees in equity offerings. We believe we may be subject to pricing pressures in these and other areas in the future as some of our competitors may seek to obtain market share by reducing prices. Because of the risk of increased competition, we cannot assure you that we will be able to successfully execute our investment focus or continue the pace of growth or profitability that we have experienced historically.

Specifically in relation to Brazil, Chile, Mexico and certain other key Latin American markets, their attractiveness appears to be increasing and this is likely to result in more competition. Depending on the segment, our competitors may be substantially larger and have considerably greater financial, technical and marketing resources than we do. We already face significant competition in all of our principal areas of operation from other large Brazilian and international banks, both public and private. In recent years, the presence of foreign banks in Brazil and certain other key Latin American markets has grown and competition in the banking sectors and in markets for specific products has increased. We cannot assure you that we will be able to grow or maintain our market share.

We face increased competition due to a trend toward consolidation.

The scale of our competitors has increased in recent years as a result of substantial consolidation among companies in the investment banking industry. In addition, both in Brazil and elsewhere, a number of large commercial banks and other broad-based financial services firms have established or acquired financial advisory practices and broker-dealers or have merged with other financial institutions and/or asset wealth managers. These firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset and wealth management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking with commercial banking, insurance and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our businesses, among others. In particular, the ability to provide financing as well as advisory services has become an important advantage for some of our larger competitors. An increase in competitive conditions may also adversely affect us as a result of, among other factors, difficulties in trying to increase our client base and expand our operations, decreases in our profit margins on our activities and increasing competitiveness for investment opportunities.

Our market, credit and operational risk management policies, procedures and methods may not be fully effective in mitigating our exposure to unidentified or unanticipated risks.

Our market and credit risk management techniques and strategies, including our use of Value at Risk (“VaR”) and other statistical modeling tools, may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential clients believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits. Other risk management methods depend upon evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by us. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

Default risk may arise from events or circumstances that are difficult to detect, such as fraud, specific industries, countries and other regions that we believe may present credit concerns. We may also fail to receive full information with respect to the trading risks of counterparties. In addition, in cases where we have extended credit

against collateral, we may find that we are under secured, for example, as a result of sudden declines in market values that reduce the value of collateral.

Misconduct by our personnel could harm us and may not be timely detected and deterred, and we may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have an adverse effect on us.

We are subject to Brazilian anticorruption legislation and similarly-focused legislation of the other countries where we have branches and operations, as well as other anticorruption laws and regulatory regimes with a transnational scope. These laws require the adoption of integrity procedures to mitigate the risk that any person acting on our behalf may offer an improper advantage to a public agent in order to obtain benefits of any kind. Applicable transnational legislation, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act, as well as the applicable Brazilian legislation (mainly Brazilian Law No. 12,846/2013 – *Lei Anticorrupção Brasileira*), require us, among other things, the maintenance of policies and procedures aimed at preventing any illegal or improper activities related to corruption involving government entities and officials in order to secure any business advantage, and require us to maintain accurate books and a system of internal controls to ensure the accuracy of our books and prevent illegal activities. We are also required to comply with applicable anti-money laundering, anti-terrorism and other laws and regulations in the jurisdictions in which we operate. These laws and regulations require us, among other things, to adopt and enforce “know your customer” policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, requiring improved systems, demanding sophisticated monitoring and compliance personnel and becoming the subject of enhanced regulatory supervision.

If our policies and procedures designed to prevent bribery and other corrupt practices were not in the past or are not in the future capable of preventing voluntary or inadvertent action by our administrators, employees or third parties acting on our behalf that constitutes corruption, applicable regulatory agencies, to which we respond, have the power and authority to impose fines and other penalties.

We cannot assure you that our governance, risk management, compliance, audit and internal controls processes will be able to prevent, detect or remedy all behaviors that are incompatible with the applicable legal requirements or our own ethical or compliance standards, and any deficiency or breach could expose us to sanctions, regulatory penalties, civil or criminal claims, tax claims, monetary losses, accounting errors or adjustments, reputational damages, or other adverse effects. The perception or allegations that we, our employees, our affiliates or other persons or entities associated with us have engaged in any such improper conduct, even if unsubstantiated, may cause significant reputational harm and other adverse effects.

There have been a number of highly publicized cases involving fraud or other misconduct by individuals involved in the financial services industry in recent years, and we run the risk that such misconduct could occur and harm our business. Misconduct by individuals working for us could occur in the future. For example, these risks could include binding us to transactions that exceed authorized limits or present unacceptable risks, or hiding from us unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. These risks could also include unauthorized breaches of the existing regulatory, tax and administrative procedures and processes or of the additional procedures and processes applicable to public companies. Such misconduct could also involve the improper use or disclosure of confidential information, which could result in sanctions and serious reputational or financial harm. Any breach of our clients’ confidences as a result of such misconduct may impair our ability to attract and retain clients. It is not always possible to deter such misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases.

Our policies and procedures aimed at detecting and preventing the use of our banking network for money laundering, terrorist financing and related activities, as well as our policies and procedures aimed at preventing bribery and other corrupt practices by our employees and agents may not completely eliminate instances where our banking network may be used by other parties to engage in money laundering and other illegal or improper activities, or may not prevent our employees and agents from engaging in corrupt dealings. Although we review our significant counterparties’ internal policies and procedures with respect to internal procedures before engaging in business with them, we, to a large degree, rely upon these counterparties. Such procedures and controls may not be completely effective in preventing our counterparts from using the relationships established with us for the act of corruption. If we are associated with, or even accused of being associated with, or become a party to corruption practices, then our

reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on our operating results, financial condition and prospects. To the extent we fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, including the revocation of licenses. In addition, our business and reputation could suffer if customers use our banking network for money laundering, terrorist financing or other illegal or improper purposes.

If we are associated with or become a party to, or even accused of being associated with or being a party to money laundering, terrorist financing or other illegal practices, or if we were to appear as defendants or are investigated in corruption-related investigations, then our reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on our operating results, financial condition and prospects.

Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.

There are ongoing investigations being conducted by the CVM, the SEC, the U.S. Department of Justice (“DOJ”), the Brazilian Federal Police and other Brazilian and foreign public authorities responsible for corruption and cartel investigations in connection with corruption allegations (the so called *Lava Jato* and other related investigations) consisting, among other things, of illegal payments made by Brazilian companies to officers, directors and other employees of Petrobras, a Brazilian state-controlled energy company, in order to influence its commercial decisions.

A substantial portion of our business activity is conducted in Brazil and we believe that these investigations have had, and may continue to have, an adverse effect on the Brazilian economy, the general business environment in which we operate, investor sentiment toward Brazil and particularly on us.

On November 25, 2015, André Santos Esteves, then the CEO, chairman and largest shareholder of Banco BTG Pactual, was temporarily taken into custody in Brazil in connection with allegations of obstruction of justice and participation in a criminal enterprise.

Following such arrest, we conducted an internal investigation coordinated by an independent committee in conjunction with external legal counsel and forensic and financial consultants, and found no basis to conclude that the allegations of misconduct against Mr. Esteves, Banco BTG Pactual or our personnel that were the subject of the investigation are credible, accurate or otherwise supported by reliable evidence.

On September 1, 2017, the Brazilian Federal Prosecutor’s Office filed its closing arguments requesting the dismissal of all charges against Mr. Esteves. On July 12, 2018, Mr. Esteves was acquitted by the competent court of the charges and the case was officially closed on August 17, 2018.

According to the press, other corruption related allegations have been made against Mr. Esteves in the plea bargain agreements of Delcídio do Amaral Gomez, a former Brazilian senator, Antonio Palocci, a former Brazilian finance minister, Nestor Cerveró, a former Petrobras executive, and Fernando Soares, including (i) the alleged existence of a criminal organization involving various politicians and political parties, public agents, entrepreneurs and businessmen, acting to obtain undue payments on agreements with publicly owned entities; (ii) illicit payments in connection with PetroAfrica, our joint venture with Petrobras for oil and gas exploration in Africa (“PetroAfrica”); (iii) alleged corruption in connection with the exclusivity agreement in place between Distribuidora e Derivados do Brasil S.A., a gas station chain owned by certain of the Banco BTG Pactual Partners and BR Distribuidora, a Petrobras subsidiary; (iv) alleged illicit payments made to the Brazilian Labor Party in order to secure a sympathetic relationship with the government regarding the financial structuring of pre-salt exploration and (v) alleged payment of bribes to former congressman Eduardo Cunha in exchange for his support on provisional tax measures that would be supposedly favorable to the BTG Pactual Group. See “Business—Legal Matters.”

Regarding the allegation described in item (i) above, Mr. Esteves was investigated by the Brazilian Federal Prosecutor’s Office, and on December 5, 2018, the Brazilian Supreme Court granted a motion to dismiss the investigations concerning Mr. Esteves, due to lack of evidence against Mr. Esteves to justify additional investigation on the matter.

On August 23, 2019, the Brazilian Federal Police executed search and seizure operations in Banco BTG Pactual's offices in Rio de Janeiro and São Paulo and certain locations connected to Mr. Esteves in response to statements made by former Brazilian Minister Antonio Palocci related to the activities of PetroAfrica, as described in item (ii) above, as well as the BTG Pactual Group's investment in Sete Brasil Participações S.A., a company formed by Petrobras that has, as an indirect shareholder, an investment fund managed in which Banco BTG Pactual acts as manager and quotaholder. We are collaborating with the relevant authorities and believe that the allegations made by Mr. Palocci were already covered by the internal investigation conducted in 2015 mentioned above, which found no evidence of unlawful conduct.

On October 3, 2019, the Brazilian Federal Police acting in conjunction with the Brazilian Federal Prosecutor Office requested information from Banco BTG Pactual at its office in São Paulo relating to financial trades made by an investment fund of one of Banco BTG Pactual's clients named Bintang FIM for which BTG Pactual Group performed fund administration services without any discretionary management power or investment interests. Such information requests were made in response to statements made by former Brazilian Minister Antonio Palocci related to the alleged illegal leaking of SELIC rate information between 2010 and 2012.

In addition, a news article was circulated in the media in August 2019, which mentioned anonymous allegations made in June 2016 that alleged activities of embezzlement, tax evasion or money laundering by Banco BTG Pactual. We believe that the anonymous allegations lack substantial grounds and were not considered by the police authority to support its search warrant and, accordingly have not started any new investigation.

We cannot predict the ultimate outcome of the aforementioned allegations and investigations or whether new allegations or investigations might be revealed in the future that could result in criminal charges being brought against Mr. Esteves or us and our partners and employees and what impact, if any, any such proceedings or investigations may or could have on Mr. Esteves, us and any of our businesses, including any potential fines and penalties.

In response to the allegations against Mr. Esteves, our management adopted a series of actions to preserve liquidity and capital, which included, among other actions, the disposal of certain relevant investments in subsidiaries and affiliates and corporate restructuring of certain other of our investments. However, we cannot guarantee that such actions, while designed to preserve liquidity and financial stability in the short term will not hamper our long-term strategic goals.

In addition, through our corporate lending business and in connection with certain historical proprietary investments, we have extended loans and other forms of credit to companies that are subject to the *Lava Jato* investigations. If the financial condition of these borrowers is adversely affected by the consequences of these investigations, these borrowers may be required to pay substantial fines, may experience liquidity problems or may be restricted in their ability to make payments on these borrowings, or may experience downgrades from credit rating agencies, reductions in revenues, or pay substantial amounts in connection with proceedings that may be brought by investors, which, in each case, may increase the amount of our non-performing loans, could result in decreased demand for borrowings in general and may have an adverse impact on our business or reputation.

Moreover, our portfolios of merchant banking, real estate and private equity investments include companies which are directly and indirectly connected to Petrobras. For example, See "Business—Business Units—Principal Investments." Poor returns on these or other investments that are negatively affected by the *Lava Jato* investigations may adversely affect our business, results of operations, financial condition and reputation.

We cannot predict with certainty the severity or scope of the adverse effects that the aforementioned events will have on us. We may have to continue to devote significant time to addressing the challenges arising from these allegations or future allegations. Further investigations, inquiries and interventions of the Brazilian Federal Police, Brazilian Federal Prosecutor Office or other relevant authorities, whether made in connection with the current anti-corruption investigations or otherwise, may arise in the future and such potential proceedings or threat of such proceedings could have an adverse effect on our business, results of operations and financial condition and cause significant reputational harm.

Our unaudited adjusted income statement presented in this Offering Memorandum was not prepared in accordance with Brazilian GAAP or IFRS, is not indicative of our results of operations and should not be considered in isolation or as an alternative to the financial statements included in this Offering Memorandum.

In addition to our income statement derived from our consolidated financial statements, we have included in this Offering Memorandum our unaudited adjusted income statement and a discussion of such unaudited adjusted income statement. The classification of the line items in our unaudited adjusted income statement has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement. See “Presentation of Financial and Other Information—Financial Statements.” As a result, our unaudited adjusted income statement (i) was not prepared in accordance with Brazilian GAAP nor IFRS, (ii) should not be presumed to be separate stand-alone operating segments under IFRS because our management does not rely on such information for decision-making purposes, (iii) contains data about our business, operating and financial results that are not directly comparable to the financial statements included in this Offering Memorandum and (iv) is not indicative of our results of operations nor should not be considered in isolation or as an alternative to such financial statements.

The recoverable amounts of fixed assets, intangible assets and equity investments used in our financial impairment tests may differ from the actual recoverable amount of such assets, which could adversely affect us.

The applicable Brazilian accounting rules and IFRS require us to carry out calculations of the value of our assets so that they are not recorded in amounts greater than what is actually recoverable through use or sale of the asset. In cases where this occurs, we record an impairment loss in our income statement equal to the difference between the two amounts. Under these rules, we must estimate the recoverable amount based on prices quoted in the market, discounted cash flows or other techniques, which requires our management to make subjective decisions and adopt assumptions it deems adequate. If management uses incorrect assumptions and the recoverable value of the asset is lower than previously estimated, we would be required to adjust our financial statements to reduce the accounting value of the asset further, which would adversely affect us.

An inability to access financing or to sell assets could impair our liquidity.

We depend on continuous access to credit to finance our day-to-day operations. An inability to raise long-term or short-term debt, or to engage in repurchase agreements or securities lending, could have a substantial negative effect on our liquidity. Our access to credit in amounts adequate to finance our activities could be impaired by factors that affect us in particular or the financial services industry in general. For example, lenders could develop a negative perception of our long-term or short-term financial prospects and restrict our access to financing if we incurred large trading losses, if the level of our business activity decreased due to a market downturn, if regulatory or governmental authorities took significant action against us or any members of our Senior Management Team or if we discovered that any of our personnel had engaged in unauthorized or illegal activity. Our ability to borrow in the debt markets also could be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the prospects for the investment banking, securities or financial services industries generally.

In addition, we depend on inter-bank deposits as a principal source of unsecured short-term funding for our operations. As of September 30, 2019, we had R\$21,059.6 million of deposits, comprised mainly of time deposits in the amount of R\$20,225.9 million. Our liquidity depends to an important degree on our ability to refinance these borrowings on a continuous basis. Banks that hold inter-bank deposits with us have no obligation to renew these inter-banks deposits when the outstanding deposits mature. If we are unable to refinance these short-term borrowings, we will be adversely affected.

If we are unable to borrow in order to meet our maturing liabilities, we may need to liquidate assets. In certain market environments, such as times of market volatility or uncertainty, overall market liquidity may decline. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may have to sell assets at depressed prices, which could adversely affect us. Our ability to sell our assets may be impaired by other market participants seeking to sell similar assets into the market at the same time.

A reduction in our credit ratings could adversely affect our liquidity and competitive position and increase our borrowing costs.

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings and that of Brazil. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place us on “credit watch” with negative implications at any time. Credit ratings are also important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter derivatives. A reduction in our credit ratings could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity.

For example, in 2016, the rating agencies, Moody’s Investor Service, Fitch Ratings Inc. and Standard and Poor’s downgraded certain of our securities reflecting the view that our profile had been lastingly weakened following the arrest of our former chairman and CEO. In addition, the rating agencies anticipated that recurring earnings would decline as a result of client defection in certain business lines compounded by a general deterioration in the operating environment. In addition, the negative outlook of credit agencies’ captured execution risks related to the sale of assets as well as concerns regarding stabilizing profits, funding and liquidity. There is no guarantee that rating agencies will not further downgrade our credit ratings and the ratings of our securities. Changes in circumstances, real or perceived, could result in material changes to credit ratings, which, in turn, could negatively impact our earnings and liquidity.

We may suffer significant losses from our credit exposures.

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties include our trading counterparties, clients, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from (i) holding securities of third parties; (ii) entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to us; (iii) executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and (iv) extending credit to our clients through bridge or margin loans or other arrangements.

Additionally, as part of our brokerage business, we finance our client positions, and we could be held responsible for the defaults or misconduct of our clients. We are also experiencing pressure from corporate clients that require credit commitments in connection with investment banking and other assignments. In addition, as competition in the financial services industry has increased, we have experienced pressure to assume longer-term credit risk, extend credit against less liquid collateral, with more aggressive pricing and higher credit risks.

The ability of borrowers to meet their obligations on schedule is directly related to their operational and financial performance. An economic crisis such as the world financial crisis in 2008 and the European sovereign debt crisis in 2010 through 2012, or poor economic performance, such as a result of the recent recession in Brazil or otherwise, may also increase the number of defaulting borrowers. An increase in the number of defaulting borrowers within our credit portfolio may increase the losses resulting from loans and adversely affect us.

It may be difficult for us to repossess and realize value from collateral with respect to defaulted loans, which may adversely affect us.

When our customers default on collateralized loans our only recourse, after exhausting all extrajudicial collection measures, is to enforce the collateral. When dealing with financially distressed debtors, the recovery of these loans may also be subject to insolvency proceedings in which our claim may rank lower than other preferred creditors, such as employees and tax authorities. In addition, once we have obtained a court judgment, execution of the judgment in order to obtain the collateral for sale often involves additional obstacles. In view of all the steps necessary in judicial proceedings for debt collection and the low liquidity of specific markets, it may be difficult for us to realize value from collateral, which may adversely affect our financial condition and results of operations.

Defaults by other financial institutions could adversely affect financial markets generally and us as well.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default by, one institution could lead to significant liquidity problems or losses in, or defaults by, other institutions. This is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, brokers, securities firms and exchanges, with which we interact on a daily basis.

Certain of our activities depend on independent investment advisors. If we have problems in our relationship with independent investment advisors or if we are incapable to select, retain and train these independent investment advisors may adversely impact us.

Under CVM Instruction No. 497/11, independent investment advisors are agents who act upon our responsibility and as our representative that are hired for the following activities: (i) client prospectation and search; (ii) receipt and record of orders and transmission of such orders to the relevant trading or registration systems, according to the applicable regulation; and (iii) provision of information on the products and services we offer.

We are directly liable for the actions of these independent investment advisors before the clients they serve and third parties, such as regulatory and self-regulatory organizations. There can be no assurance that the independent investment advisors will continue to be aligned with us, that no commercial disagreements between us and them will occur or that they will not become associated or start to compete with us otherwise. Any problem in the commercial relationship with our independent investment advisors may result in financial losses, in addition to losses of clients, and adversely affect us.

Moreover, we may be liable for any error, fraud or irregularity committed by any of these independent investment advisors, which can result in financial losses and reputational harm to us.

We are also subject to civil and regulatory risks related to the services provided by our independent investment advisors to our clients, considering that we may be liable for their actions. In certain cases, we may have to provide indemnifications, enter into commitment agreements and suffer penalties assessed by regulatory and self-regulatory organizations.

We have limited capability to protect our intellectual property rights.

The protection of our intellectual property, including trademarks, patents, copyrights, domain names and trade secrets, is relevant for our success, especially in relation to our BTG Pactual Digital platform. We depend on applicable laws and regulations, in addition to a variety of administrative proceedings, in order to protect our intellectual property.

Moreover, contractual arrangements and other measures that we take to protect our intellectual property may not prevent third parties from violating or hijacking our intellectual property or from independently developing equivalent or superior intellectual property rights. The protection of our intellectual property rights is costly and requires lengthy processes that may be unsuccessful. In addition, it may not be possible to discover or determine the extension of any non-authorized use of our intellectual property rights. Any failure to protect or adequately reinforce our intellectual property rights, or the incurrence of significant costs to do so, may materially harm our business.

As the number of products in the software industry increases and the functionalities of these products overlap, we may become even more subject to violation of patents, copyrights and trademarks. We may be obligated to enter into a dispute to determine the validity and outreach of our patents and other intellectual property rights. The outcome of any allegation is uncertain and, regardless of the result, any claim, with or without merits, may take a long time to be resolved, result in costs, deviate our time and demand our management’s attention, restrict the sale or provision of services, delay the development of our products or result in indemnification payments. Thus, violation of patents, copyrights and trademarks, including disputes, may adversely affect our results.

We may be subject to risks associated with the non-compliance with data protection laws, in Brazil or elsewhere, which may adversely affect us due to the assessment of fines and other sanctions.

In 2018, the President of Brazil approved Brazilian Law No. 13,709/2018, a comprehensive data protection law establishing the general principles and obligations that apply across multiple economic sectors and contractual relationships (*Lei Geral de Proteção de Dados*) (the “LGPD”). Certain aspects of the LGPD are currently under discussion in the National Congress, which should result in changes to the LGPD that are not yet defined on the date of this Offering Memorandum. The LGPD establishes detailed rules for the collection, use, processing and storage of personal data in all economic sectors, regardless of whether data is collected in a digital or physical environment. The obligations established by LGPD applicable to us will become effective in August 2020 and from then on all legal entities will be required to have their data processing activities compliant with the rules set out in this new legislation. In the event of a violation of the LGPD, we may be subject to (i) legal notices and the required adoption of corrective measures, (ii) fines up to 2% of the company’s or group’s revenues up to a limit of R\$50.0 million per infraction, (iii) publication of the infraction after the confirmation of its occurrence, and (iv) blocking and erasing the personal data involved in the infraction. Moreover, we may be liable for property, moral, individual or collective damages caused by us, and jointly liable for property, moral, individual or collective damages caused by our subsidiaries, due to non-compliance with the obligations established by the LGPD. If we are unable to use sufficient measures to protect the data we manage and store or to maintain compliance with the LGPD, we may incur costs which could have an adverse effect in our reputation and results of operations.

In addition, due to the processing of data of individuals located in the European Union, we are also subject to the General Data Protection Regulation, which was approved in April 2016 and became effective in May 2018. This regulation establishes obligations related to the protection of European citizen rights, but it is also applicable to all corporations globally that handle with data from individuals or services from the European Union in connection with consent, rights of access, exclusion and portability of personal data. The non-compliance with the requirements established under this regulation may result in fine of up to 4% of the company’s annual revenue or EUR20 million, whichever is higher, in addition to the disclosure of the incident to the market and even the suspension of activities.

Therefore, our failure in protecting personal data and an inadequacy to the applicable regulation may result in significant fines, disclosure of the incident to the market, removal of the personal data from our base and even the suspension of our activities, adversely affecting our reputation and results of operation.

We depend on information technology service providers for certain of our activities.

Our operations and, consequently, results may be adversely affected by any interruption in the provision of information technology services, either due to failures, including the ones related to obtaining third parties consent or licenses for intellectual property used in the equipment or software that we create or use, or to non-compliance by these service providers with their obligations with us.

Moreover, if we are not able to retain or renew the contracts with the current service providers, there may be certain difficulties in the integration of our systems to the new providers, which may result in operational problems. In addition, the substitution of these service providers may not occur in a timely manner or result in failure during the transition period, which may also impact our operations.

We may experience increases in our level of past due loans as our portfolio of credit products and derivatives increases.

We intend to continue to grow our portfolio of credit products and derivatives. Growth of this portfolio may initially reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. When the portfolio is seasoned, we may experience an increase in the absolute level of past due loans. This may result in increases in our loan loss provisions, charge-offs and the ratio of past due loans to total loans. In addition, our historic loan loss experience may not be indicative of our future loan loss experience.

If actual loan losses exceed credit risk provisions in our banking activities, we will be adversely affected.

Our financial condition and results of operations depend on the ability to assess losses associated with the risks to which we are exposed. We make allowances for loan losses in banking activities according to the parameters

set forth in CMN Resolution No. 2,682 dated December 21, 1999, as amended, and using estimates that involve many factors, backed by available information, including recent loss or default events, the economic scenario, the bank's financial situation and the internal risk rating of the loan. Calculating allowances for loan losses involves significant judgment on the part of management, and those judgments may change in the future depending on information as it becomes available. If actual loan losses exceed provisions for our corporate lending activities, we will be adversely affected.

We are subject to several operating risks inherent to our businesses, including in relation to the proper functioning of our operating systems.

Our businesses are highly dependent on our ability to process and monitor efficiently and accurately, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services we provide to clients, often must adhere to jurisdiction and client-specific guidelines, as well as legal, tax and regulatory standards. Our management of operational, legal, tax and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Despite the plans and facilities we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications or computer systems, internet, transportation, security systems or other services used by us or third parties with which we conduct business. If any of these infrastructure devices do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. The inability of these devices to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Losses can also result from inadequate personnel, inadequate or failed internal control processes and systems, information systems failures or external events that interrupt normal business operations such as terrorist acts, natural disasters and sabotage. We face the risk that the design of our controls and procedures for mitigating operational risk proves to be inadequate or is circumvented. In addition, the expenses incurred in connection with the prevention, treatment or mitigation of such problems may be significant.

Industry consolidation, whether among market participants or financial intermediaries, increases the risk of operational failure as disparate complex systems need to be integrated, often on an accelerated basis. Furthermore, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses increases the risk that an operational failure at one institution may cause an industry-wide operational failure that could adversely affect us.

Failure to adequately protect ourselves against risks relating to cybersecurity could adversely affect us.

We face various cybersecurity risks, including but not limited to: penetration of our information technology systems and platforms, including our BTG Pactual Digital platform, by ill-intentioned third parties, infiltration of malware (such as computer viruses) into our systems, contamination (whether intentional or accidental) of our networks and systems by third parties with whom we exchange data, unauthorized access to confidential client and/or proprietary data by persons inside or outside of our organization, and cyber-attacks causing systems degradation or service unavailability that may result in business losses.

We may not be able to successfully protect our information technology systems and platforms against such threats. We have seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. We have been and continue to be subject to a range of cyberattacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of client data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of our information technology systems used to service our clients. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in our attempt to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our clients.

In light of the roll-out of our BTG Pactual Digital platform, if we fail to effectively manage our cyber security risk, for example, by failing to update our systems and processes in response to new threats, this could harm our reputation and adversely affect our operating results, financial condition and prospects through the payment of client compensation, regulatory penalties and fines and/or through the loss of assets. In addition, we may also be subject to cyber-attacks against critical infrastructures of Brazil. Our information technology systems are dependent on such critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect our ability to service our clients. We have limited ability to protect our information technology systems from the adverse effects of such a cyber-attack.

In addition, according to the CMN Resolution No. 4,658, dated April 26, 2018, as amended, financial institutions must now follow new cyber risk management and cloud outsourcing requirements. Failure to comply with any of these new regulatory requirements could have an adverse effect on us.

Failure to protect personal information could adversely affect us.

We manage and hold confidential personal information of clients in the ordinary course of our business. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures or security breaches could subject us to legal actions and administrative sanctions as well as damages that could materially and adversely affect our operating results, financial condition and prospects. Further, our business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. In addition, we may be required to report events related to information security issues (including any cyber security issues), events where client information may be compromised, unauthorized access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of our systems could cause information, including data related to client requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products and could materially and adversely affect us.

Legal restrictions on our clients may reduce the demand for our services.

New laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may also adversely affect us. For example, changes in antitrust enforcement could affect the level of mergers and acquisitions activity and changes in regulation could restrict the activities of our clients and, therefore, the services we provide to them.

Our inability to successfully implement our strategy relating to, or to realize the intended benefits from, our historical acquisition of a co-controlling interest in Banco PAN could have an adverse effect on us.

There continue to be significant risks associated with our acquisition of a co-controlling interest in Banco PAN, which was consummated on May 27, 2011.

Prior to the announcement of the transaction, Banco PAN disclosed a series of accounting inconsistencies which resulted in losses of approximately R\$4.3 billion. We record the results of operations from Banco PAN using the equity method of accounting, pursuant to which our share of Banco PAN's net income or net losses, as deducted by accumulated loss adjustments relating to previous periods, is recognized in our income statement as equity in the earnings of associates and jointly controlled entities. We have historically recorded significant losses or minimal profit in connection with the Banco PAN equity pick-up, with losses of R\$95.7 million in 2016, profit of R\$85.2 million in 2017 and profit of R\$111.4 million in 2018. There can be no assurance that Banco PAN will not generate net losses during 2019 or thereafter that Banco PAN's results of operations will not continue to adversely affect our results of operations relating to our commercial banking activities.

Furthermore, as co-controlling shareholder of Banco PAN, we may be required under Brazilian law to make additional capital contributions if certain circumstances arise in which Banco PAN is considered by the Central Bank to be undercapitalized. For more information on Brazilian banking regulations, see "Regulatory Overview—The Brazilian Financial System and Banking Regulation." We have made several significant capital injections in Banco PAN since its acquisition in 2011. It is possible that the initiatives to improve Banco PAN's

results may not meet the expected results and that new capital injections at Banco PAN will be required. Any of these factors could have an adverse effect on us.

We have entered into a shareholders' agreement with Caixa Participações S.A. - CAIXAPAR ("CaixaPar") relating to our co-controlling interest in Banco PAN. Pursuant to the shareholders' agreement, various decisions which impact the business of Banco PAN require the agreement of CaixaPar. CaixaPar may have economic interests that differ from ours and may wish to act in a manner which is contrary to our strategy or objectives. If we are unable to obtain the agreement of CaixaPar with respect to decisions that we consider to be necessary, we may be unable to cause Banco PAN to implement business strategies that we believe to be in its best interests.

Moreover, there is an ongoing investigation by the Brazilian Federal Police on the acquisition of shares of Banco PAN by CaixaPar in 2009. As we are a current shareholder of Banco PAN, we were target of a search and seizure by the Brazilian Federal Police in April 2017. André Santos Esteves was a member of our board of directors at that time and was also subject to a search and seizure procedure.

The Brazilian Federal Police requested certain documents related to our acquisition of Banco PAN shares in 2011, in addition to emails of certain of our employees involved in that transaction, which were promptly provided. We cannot predict with certainty the severity or scope of the adverse effects that such events will have on us. We may have to continue to devote significant time and expenses to addressing the challenges arising from these allegations and any future investigations or decisions.

Following the separation of the publically traded IPO units, our business is more vulnerable to actual or potential conflicts of interest, real or perceived.

In February 2017, we and PPLA Participations permitted the breaking of our publically traded IPO units, which consisted of our and PPLA Participations' voting and non-voting securities, and simultaneously created two new units programs in order to permit the separate trading of our and PPLA Participations' securities. As of August 18, 2017, trading of the IPO units was suspended, and our securities and PPLA Participations' securities no longer trade together on a combined basis. As a result of this change, former IPO unit holders, including the partnership vehicles currently controlling both PPLA and us, were able to change their proportional equity interests in PPLA Participations or us. Accordingly, this could create, or appear to create, potential conflicts of interest when our management and directors and PPLA Participations' management and directors face decisions that could have different implications for each of us and PPLA Participations. In addition, key managers or employees that have managed both PPLA Participation and us on a combined basis may not be suited or effective at managing them on a standalone basis. In addition, we and PPLA Participations can no longer allocate resources among ourselves to the same extent as in the past, which may adversely affect our operations.

The Controlling Partners may have interests that differ from your interests as a security holder.

As of the date of this Offering Memorandum, our Controlling Partners, through G7 Holding and BTG Pactual Holding, control our common shares which, subject only to certain limited exceptions (see "Our Partnership—Shareholders Agreements" and "Principal Shareholders"), allow our Controlling Partners to control our management, direction and policies, including the outcome of any matter submitted to a vote of shareholders. As a result, subject to certain exceptions, our Controlling Partners will be able to (i) elect and control the decisions of the majority of our board of directors, (ii) control our management and policies, and (iii) determine without the consent of our other shareholders the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, amalgamations, consolidations and the sale of all or substantially all of our assets. As the controlling shareholders of Banco BTG Pactual, our Controlling Partners will also be able to prevent or cause a change in control of Banco BTG Pactual. The interests of our Controlling Partners may not coincide with the interests of our other shareholders. For example, our Controlling Partners may have an interest in undertaking expansions, acquisitions, divestitures, financings and other actions that, in their judgment, could enhance their equity investments, even though those actions might involve risks to our other shareholders. In addition, we expect certain forthcoming changes in relation to the composition of our Controlling Partner group, involving mainly the imminent departure of Marcelo Kalim as a Controlling Partner and the entry of André Santos Esteves as one of the Controlling Partners, subject in all cases to receipt of the requisite regulatory and corporate approvals (for additional information, see "Our Partnership—Shareholders Agreements—Controlling Partners Shareholders Agreement"). We cannot predict whether these changes to the Controlling Partner block may bring

corresponding changes to the management and control of Banco BTG Pactual, which may introduce additional risks to you as a holder of our Notes.

We and our affiliates routinely engage in transactions with related parties that may present conflicts of interest and such transactions may not create value for us and our shareholders to the same extent as they may for our affiliates.

We are part of the BTG Pactual Group and we routinely enter into transactions with other entities in the BTG Pactual Group in the ordinary course of our business, including financing facilities and commercial and services agreements. For more information, see “Related Party Transactions.” For example, in the ordinary course of its business, PPLAI maintains bank accounts with, and has invested in certain financial products offered by us and certain of our subsidiaries, including medium-term notes (acquired in the secondary market), demand deposits and time deposits. In addition, PPLAI has entered into several financial derivative contracts with us. Moreover, we announced the transfer of the equity interest held in EFG to BTG Pactual Holding. We are likely to continue to engage in transactions with related parties and, in light of this strategy, we cannot guarantee that such transactions will generate value for us and our shareholders.

We may incur financial and reputational losses as a result of our relationship with shareholders and/or clients in credit, financing or investment transactions, which activities may generate negative socioenvironmental impacts, affecting our business, results and reputation.

The activities of our diverse client base may be exposed to socioenvironmental risks. Potential demonstrations of socioenvironmental risks in our clients and shareholders’ activities may occur in several different manners and degrees of economic, social and environmental impact, resulting in financial and/or reputational losses that may affect our relationship, which may adversely impact our business, results and reputation.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect us.

The Brazilian economy has been characterized by the significant involvement of the Brazilian government, which often changes monetary, credit, fiscal and other policies and regulations to influence Brazil’s economy. The Brazilian government’s actions to control inflation and effect other policies have involved depreciation of the *real*, controls over remittance of funds abroad, intervention by the Central Bank to affect base interest rates, among other measures. We have no control over and cannot predict what measures or policies the Brazilian government may take in the future. We may be adversely affected by changes in Brazilian government policies, laws or regulations at the federal, state and municipal levels as well as general economic factors, including, without limitation:

- banking regulations;
- growth or downturn of the Brazilian economy;
- the regulatory environment;
- inflation;
- interest rates;
- variations in exchange rates;
- reserve requirements;
- capital requirements;
- decreases in wages and economic levels;

- increases in unemployment;
- exchange rate control policies and restrictions on remittances abroad;
- fiscal policy and changes in the tax law;
- liquidity of the domestic financial, capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

We cannot predict what future policies will be adopted by current or future Brazilian governments, or whether these policies will result in adverse consequences to the Brazilian economy or cause an adverse effect on us, particularly under the new administration of the President of Brazil, Jair Bolsonaro, who was sworn into office on January 1, 2019.

Brazil continues to experience political instability, which may adversely affect us. Brazil is currently recovering from a recession, and continued weaknesses in the Brazilian macroeconomic environment could adversely affect us.

Brazil is currently recovering from a recession, and material weaknesses and imbalances continue to threaten macroeconomic stability and the future prospects of the Brazilian economy. The persistence or intensification of the economic crisis in Brazil and the uncertainty over whether the Brazilian government will be willing and able implement changes in policy or regulation in order to address the current economic challenges could adversely affect us.

Uncertainty regarding whether the Brazilian government will implement policy and regulatory changes may be compounded by political instability. Historically, Brazilian politics have affected the performance of the Brazilian economy. Political crises have affected and continue to affect the confidence of investors and the general public and have historically resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

Since 2014, Brazil has experienced amplified economic and political instability derived from various currently ongoing investigations into allegations of money laundering and corruption, including the largest such investigation, known as *Lava Jato*, which have negatively impacted the Brazilian economy and political environment and contributed to a decline in market confidence in Brazil.

Brazilian markets face increased volatility due to the uncertainties related to the ongoing corruption scandals, which are being investigated by the Brazilian Federal Police in *Lava Jato*, *Zelotes*, *Greenfield*, *Estrela Cadente* operations, among others, and to the impact of these scandals in the Brazilian economy and political environment. Members of the Federal Government and Legislative branch, in addition to senior managers of large companies are being prosecuted for the crime of corruption. In addition, politicians and other public officials are being investigated for illegal and unethical conducts identified during the *Lava Jato*, *Zelotes*, *Greenfield*, *Estrela Cadente* operations, among others.

As a result of these investigations, a number of senior politicians, including members of Congress, and high-ranking executive officers of major corporations and state-owned companies in Brazil, have been arrested (including our former CEO and chairman of our board of directors), convicted of various charges relating to corruption, entered into plea agreements with federal prosecutors and/or have resigned or been removed from their positions. The individuals involved in the *Lava Jato* investigations are alleged to have accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties, which funds were unaccounted for or not publicly disclosed. These funds were also allegedly destined toward the personal enrichment of certain individuals.

The potential outcome of *Lava Jato* as well as other ongoing corruption-related investigations is uncertain, but they have already had an adverse impact on the image and reputation of those companies that have been implicated, as well as on the general market perception of the Brazilian economy, political environment and the

Brazilian capital markets. We have no control over and cannot predict whether such investigations or allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future or will adversely affect us. In addition, we have been directly or indirectly referred to in ongoing investigations and related plea bargains, and we cannot assure you that the outcome of such investigations or the development of new investigations involving the Brazilian government, state-owned companies or other government affiliates could have a negative impact on us, including with respect to the trading price of our securities.

Amidst this background of political and economic uncertainty, in August 2016, the Brazilian Senate approved the removal of Dilma Rousseff, Brazil's then-President, from office, following a legal and administrative impeachment process for infringing budgetary laws. Michel Temer, the former Vice-President who assumed the presidency of Brazil following Rousseff's ouster, is also under investigation on corruption allegations. In addition, former President Luiz Inacio Lula da Silva was leading polls as a top contender to win the 2018 presidential election when he began serving a 12-year prison sentence on corruption and money laundering charges in April 2018. In November 2019, the Brazilian Supreme Court reinterpreted its understanding of the Brazilian constitution thereby allowing defendants to remain free while they appeal their criminal convictions. As a result, former President Luiz Inacio Lula da Silva was released from prison. Accordingly, there is increased uncertainty in respect of the political climate in Brazil. We cannot predict the policies that the Bolsonaro administration may adopt or change in relation to corruption investigations or otherwise, or the effect that any such policies may have on our business and the Brazilian economy as a whole.

Moreover, the Brazilian electoral court is currently reviewing several proceedings related to, among others, allegations of contributions made to political campaigns that were not accounted for, including contributions made to several members of the Federal government, which are accused to have received funds related to the corruption scheme under investigation in *Lava Jato*.

Any of the above factors may create additional political uncertainty, which could have a material impact on the Brazilian economy, our business, financial condition and results of operations and the trading price of the Notes.

Policies under the new administration of Jair Bolsonaro may adversely affect the Brazilian economy, our business and the trading price of our Notes.

On October 28, 2018, Jair Bolsonaro, a retired military officer who represented the state of Rio de Janeiro in the lower house of the Brazilian Congress from 1991 through 2018, was elected the next President of Brazil and took office on January 1, 2019. We cannot predict with certainty how Jair Bolsonaro's administration may impact the overall stability, growth prospects and economic and political health of the country.

During his presidential campaign, Jair Bolsonaro was reported to favor the privatization of state-owned companies, economic liberalization, and social security and tax reforms. However, there is no guarantee that Bolsonaro will be successful in executing his campaign promises or passing certain favored reforms fully or at all, particularly when confronting a fractured congress.

Moreover, Jair Bolsonaro was generally a polarizing figure during his campaign for presidency, particularly in relation to certain of his social views, and we cannot predict the ways in which a divided electorate may continue to impact his presidency and ability to implement policies and reforms, all of which could have a negative impact on our business and the trading price of our Notes.

Exchange rate instability may adversely affect us.

The Brazilian currency has been devalued frequently over the past three decades. Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and during this period, the *real*/U.S. dollar exchange rate has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the *real* is generally linked to the rate of inflation in Brazil, depreciation of the *real* occurring over shorter periods of time has resulted in significant variations in the exchange rate between the *real*, the U.S. dollar and other currencies.

As of December 31, 2014, the *real*/U.S. dollar exchange rate reported by the Central Bank was R\$2.66 per US\$1.00. During 2015, due to the poor economic conditions in Brazil and rampant political instability, the *real* devalued at a much higher rate than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.19 per U.S. \$1.00. Overall in 2015, the *real* depreciated 47.0%, reaching R\$3.90 per U.S. \$1.00 on December 31, 2015. In 2016, the *real* continued to fluctuate, primarily as a result of Brazil's political instability, and ultimately appreciated 16.5% year-over-year against the U.S. dollar as of December 31, 2016 to R\$3.26 per U.S. \$1.00. As of December 31, 2017, the *real*/U.S. dollar selling exchange rate was R\$3.31 per U.S. \$1.00, reflecting a 1.5% depreciation against the U.S. dollar as compared to December 31, 2016. As of December 31, 2018, the *real*/U.S. dollar selling exchange rate was R\$3.87 per U.S. \$1.00, reflecting a 17.1% depreciation against the U.S. dollar as compared to December 31, 2017, and as of November 29, 2019, the *real*/U.S. dollar selling exchange rate was R\$4.2240 per U.S. \$1.00.

Depreciation of the *real* relative to the U.S. dollar has created additional inflationary pressures in Brazil, which have led to increases in interest rates, limited Brazilian companies' access to foreign financial markets and prompted the adoption of recessionary policies by the Brazilian government. Depreciation of the *real* may also, in the context of an economic slowdown, lead to decreased consumer spending, deflationary pressures and reduced growth of the Brazilian economy as a whole. Conversely, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange currency accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy.

We cannot assure you that the *real* will not continue to appreciate or depreciate substantially against the U.S. dollar in the future. Our costs are principally denominated in *reais*. However, because a substantial portion of our revenues is denominated in U.S. dollars, whereas our reporting currency is the *real*, we may be adversely affected due to fluctuations in the value of the *real* against the U.S. dollar. Further, the depreciation of the *real* against the U.S. dollar may create additional inflationary pressures in Brazil, which may negatively affect the Brazilian economy as a whole and cause an adverse effect on us.

Inflation, and the Brazilian government's measures to curb inflation, may contribute to economic uncertainty in Brazil, adversely affecting us.

Brazil has historically experienced extremely high rates of inflation and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world.

In 2015 and 2016, Brazil experienced high levels of inflation of 10.54% (IGP-M) and 7.19% (IGP-M), mainly due to unfavorable macroeconomic conditions. According to the IGP-M index, Brazil registered a 0.53% deflation in 2017 and a 7.55% inflation in 2018. As of September 30, 2019, the accumulated inflation over the immediately preceding 12-month period was 3.38% according to the IGP-M index or 2.89% according to the IPCA.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. The Central Bank has frequently adjusted the interest rate in situations of economic uncertainty and to achieve objectives under the economic policy of the Brazilian government.

If Brazil experiences substantial inflation or deflation in the future, we and our ability to comply with our obligations may be adversely affected. Such pressures may also affect our ability to access foreign financial markets and may lead to policies that may adversely affect the Brazilian economy and us. In addition, we may not be able to adjust the prices we charge our clients to offset the impact of inflation on our expenses, leading to an increase in our expenses and a reduction in our net operating margin.

Exposure to Brazilian federal government debt could have an adverse effect on us.

We invest in Brazilian government sovereign bonds. As of September 30, 2019, approximately 9.8% of our total assets, and 46.8% of our securities portfolio, were comprised of debt securities issued by the Brazilian government. Any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on us.

Our clients' and counterparties' ability to make timely payments may be restricted by liquidity constraints in Brazil.

The Brazilian economy has been subject to a number of developments or conditions that have significantly affected the availability of credit. In addition, Brazil is vulnerable to the effects of global financial crises. For example, the global economic crisis that affected developed markets in the United States and Europe starting in 2008 (particularly in Greece, Spain, Italy and Portugal) markedly reduced investor confidence globally. In the case of Brazil, it has lost its investment grade sovereign debt credit rating by the three main U.S. based credit rating agencies, Standard & Poor's, Moody's and Fitch. Standard & Poor's changed Brazil's sovereign debt credit rating from BBB-minus to BB-plus in September 2015, subsequently reducing it to BB in February 2016 and to BB- minus with stable outlook on in January 2018, citing less timely and effective policymaking and a risk of greater policy uncertainty after Brazil's 2018 elections. In December 2015, Moody's placed Brazil's Baa3 sovereign debt credit rating on review and downgraded Brazil's sovereign credit rating in February 2016 to Ba2 with a negative outlook, citing the prospect for further deterioration in Brazil's indebtedness figures amid a recession and challenging political environment. After that, in April 2018 Moody's placed Brazilian sovereign outlook as stable. Fitch downgraded Brazil's sovereign credit rating to BB-plus with a negative outlook in December 2015, citing the country's rapidly expanding budget deficit and worse-than-expected recession, and further downgraded Brazil's sovereign debt credit rating in May 2016 to BB with a negative outlook. In February 2018, Fitch further downgraded Brazil's sovereign credit rating to BB-minus with a stable outlook.

These ongoing events could negatively affect our ability and the ability of other Brazilian banks to obtain financing in the global capital markets, as well as weaken the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets. In addition, to control inflation in general, the Brazilian government has maintained a tight monetary policy, with associated high interest rates, and has constrained the growth of credit. The combination of these developments has made it difficult at times for certain companies and financial institutions in Brazil to obtain cash and other liquid assets and has resulted in the failure of a number of weaker financial institutions in Brazil. In addition, concerns as to the stability of some financial institutions have caused significant transfers of deposits from smaller banks to larger banks since the beginning of 1995. No assurance can be given that developments in the Brazilian economy will not adversely affect the ability of certain of our counterparties or direct and indirect clients to make timely payments on their obligations to us or otherwise adversely affect us.

Developments and the perception of risk in other countries, such as the recent developments in the global financial markets, and particularly in emerging market countries, may adversely affect the market price of Brazilian securities, including the Notes.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States, European countries other Latin American and emerging market countries. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Brazilian economy and resulted in considerable outflows of funds from Brazil and decreased the amount of foreign investments in Brazil. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may have an adverse effect on the trading price of our Notes. Emerging market economies have been affected by the recent changes in the U.S. monetary policy, resulting in the unwinding of investments and increased volatility in the value of their currencies. If the global economy or the current economic situation in other countries where we have significant operations deteriorates significantly, our results of operations could be adversely affected and the value of the Notes could decline. Such risks may also affect our access to the capital markets and compromise our ability to finance our operations through capital market issuances on favorable terms, or at all.

Risks Relating to the Regulatory Environment

Legal and regulatory risks are inherent and substantial in our businesses.

We are subject to extensive constantly changing regulation, which may adversely affect our operations and profitability. Existing laws and regulations may suffer changes, as well as their application and interpretation, and new laws and regulations may be adopted. We may be negatively affected by changes in regulation, including the

ones related to (i) minimum capital requirements, (ii) requirements for investments in fixed assets, (iii) lending limits and other credit restrictions, (iv) accounting requirements, and (v) intervention, liquidation and/or special and temporary management systems.

Substantial legal liability or a significant regulatory action against us could cause significant harm to our reputation or otherwise adversely affect us, which in turn could seriously harm our business prospects. We face significant legal risks in our businesses and the volume and amount of damages claimed in litigation against financial intermediaries are increasing. These risks include potential liability under securities and related laws for materially false or misleading statements made in connection with securities and other transactions, potential liability for the “fairness opinions” and other advice we provide to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. We also face the possibility that counterparties in complex or risky trading transactions will claim that we failed to disclose the risks or that they were not authorized or permitted to enter into these transactions with us and that their obligations to us are not enforceable. We are increasingly exposed to claims for recommending investments that can be considered inconsistent with a client’s investment objectives or engaging in unauthorized or excessive trading. During a prolonged market downturn, we would expect these types of claims to increase. See “Management Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Legal and Regulatory Risk.”

We are also subject to losses arising from judicial or administrative proceedings, including tax proceeding and proceedings involving the Central Bank and the CVM, including fines, penalties and reputational damages.

We face risk of loss from legal and regulatory proceedings, mainly tax proceedings and proceedings before the Central Bank and the CVM. Such proceedings could subject us to monetary judgments, fines, penalties and reputational losses.

We are from time to time subject to certain claims and party to certain legal and regulatory proceedings incidental to the normal course of our business, including in connection with conflicts of interest, lending activities, trading strategies, relationships with our employees, economic plans and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal and regulatory matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, we cannot state what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The amount of our reserves in respect of these matters is substantially less than the total amount of the claims asserted against us, and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us. As a result, the outcome of a particular matter may be material to our operating results for a particular period. For a discussion of other legal proceedings in which we are involved, see “Business—Legal Matters.”

We are subject to review by taxing authorities, and an incorrect interpretation by us of tax laws and regulations may have an adverse effect on us.

The preparation of our tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. We are subject to the income tax laws of Brazil. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, leading to disputes which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, we must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions we use in preparing our tax returns are subsequently found to be incorrect, there could be a material adverse effect on us. In some jurisdictions, the interpretations of the taxing authorities are unpredictable and frequently involve litigation, which introduces further uncertainty and risk as to tax expense.

Changes in taxes and other fiscal assessments may adversely affect us and the markets where we operate.

The Brazilian government regularly enacts reforms to the tax and other assessment regimes to which we and our clients are subject. Such reforms include changes in the rate of applicable taxes and, occasionally, enactment of temporary levies, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and

there can be no assurance that any such reforms would not have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

Changes in tax policy, including the creation of new taxes, may occur with relative frequency and such changes could have an adverse effect on our financial position or operating results. Also, the Brazilian Congress may discuss broad tax reforms in Brazil to improve the efficiency of allocation of the economic resources, as proposed by the executive branch of the Brazilian federal government. Major tax reforms in Brazil have been discussed over the last few years. It is anticipated that the reforms, if adopted, would involve a major restructuring of the Brazilian tax system, including the possible creation of a value added tax on goods and services that would replace several taxes currently in force (including the social contribution tax, the federal tax on industrial products and state taxes on the circulation of goods and services). In addition, we cannot predict if tax reforms will be implemented in the future. The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified.

Extensive regulation of our businesses may limit our activities and adversely affect us.

The financial services industry is subject to extensive regulation, both in Brazil and elsewhere and, in many jurisdictions, increasing scrutiny from tax authorities and tax policy makers. See “Management Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.” We are subject to regulation by governmental and self-regulatory organizations in all jurisdictions in which we operate. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect clients and other third parties, not to protect unit holders in particular. Consequently, these regulations often (i) limit our business activities, including through net capital requirements, client protection, market conduct requirements and trading strategies, (ii) increase compliance costs and, (iii) to the extent the regulations strictly control the activities of financial services firms, make it more difficult for us to distinguish ourselves from competitors. We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or prohibited from engaging in some of our business activities. In addition, recent market disruptions have led to numerous proposals for significant additional regulation of the financial services industry. These regulations could further limit our business activities, increase compliance costs and, to the extent the regulations strictly control the activities of financial services firms, make it more difficult for us to distinguish ourselves from competitors.

Specifically, the Brazilian financial markets are subject to extensive and continuous regulatory review by the Brazilian government, principally by the Central Bank the CVM, and self-regulatory organization. The Cayman Islands Branch is a licensed credit institution and as such is also subject to laws and regulations and ongoing regulatory review by the Cayman Islands’ authorities. We have no control over these laws and regulations, which govern all aspects of our operations, including regulations that impose:

- minimum capital requirements;
- internal procedures to assess capital adequacy;
- compulsory deposit and/or reserve requirements;
- requirements for investments in fixed rate assets;
- lending limits and other credit restrictions, including compulsory allocations;
- limits and other restrictions on invoiced fees or other matters;
- money laundering, privacy, record keeping, and ethical issues;
- limits on the amount of interest banks can charge or the period for capitalizing interest;
- accounting and statistical requirements;

- requirements for and restrictions on trading transactions;
- risk exposure limits;
- price and salary controls;
- tax policy and regulation; and
- other requirements or limitations imposed in the context of the global financial crisis.

The Central Bank also must approve certain acts by Brazilian financial institutions.

In addition, some of our subsidiaries are also subject to regulation under U.S. federal and state law, United Kingdom laws and Cayman Islands laws, which impose, among other things, minimal standards for different areas of operation, including operational, market, counterparty and other risk assessment, regulatory capital requirements, conduct of business requirements and internal systems and controls with regard to market abuse and insider dealing, among others.

Our Chilean, Colombian, Peruvian, Argentinian and Mexican operations are subject to regulatory capital requirements determined by the laws of such countries and their regulators, respectively, calculated based on their own capital considered individually.

Failure to comply with these standards could result in the application of fines or other sanctions, including the suspension or revocation of the licenses of these subsidiaries or their liquidation.

Changes in the regulation of operations of Brazilian banks and their foreign branches may adversely affect us.

Brazilian banks and their foreign branches are subject to extensive and continuous regulatory review by Brazilian and other relevant governments and regulators. Banking regulation is regularly enacted by the relevant government and regulator as a means of controlling credit availability and reducing or increasing consumption. Certain of these controls are temporary in nature and may vary from time to time in accordance with the relevant government's or regulator's credit policies. We have no control over any such regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory reserve requirements;
- lending limits and other credit restrictions; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian banks and their branches abroad has frequently evolved. Existing laws and regulations could be amended; the manner in which laws and regulations are enforced or interpreted could change; and new laws or regulations could be adopted. Such changes could adversely affect us, including our Cayman Islands Branch.

Changes in regulations regarding capital reserve and compulsory deposit requirements may adversely affect us.

Compulsory deposits are resources that financial institutions in Brazil are required to maintain with the Central Bank in relation to demand deposits, savings deposits and time deposits. The Central Bank has periodically changed the amount of reserves that financial institutions in Brazil are required to maintain. For example, as from September 2008, the Central Bank revoked and changed a number of compulsory deposit requirements in an attempt to reduce the impact of the global financial markets crisis, and, in the past year, the Central Bank increased and restated the compulsory deposit requirements. The Central Bank may increase its reserve and compulsory deposit requirements in the future or impose new reserve and compulsory deposit requirements.

We may be adversely affected by changes to compulsory deposit requirements because funds held as compulsory deposits generally do not yield the same return as our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;
- we are obliged to hold some of our compulsory deposits in Brazilian government securities, which may yield lower interest rates; and
- we must use a portion of the deposits to finance federal housing program, microcredit transactions and the rural sector.

Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, but they are now seen as an instrument by which the Central Bank pursues stability in the financial system and we have no control over their policy. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect our business.

Minimum capital adequacy requirements imposed on us following the implementation of the Basel III Accord may negatively adversely affect us.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the “Basel III Accord,” which was endorsed at the Seoul G20 Leaders summit in December 2010. The “Basel III Accord” recommendations aimed to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth. The Basel Committee’s package of reforms increased the minimum capital requirements and required banks to hold a capital conservation buffer and a countercyclical buffer to withstand periods of stress and to control systemic risk.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution 4,192 dated March 1, 2013, as amended, established new rules for the calculation of the regulatory capital (*Patrimônio de Referência*) (“PR”), which requirements are gradually being implemented by the Central Bank since 2013, which process is ongoing. Among other things, such requirements provide that Brazilian financial institutions must comply with new minimum capital requirements. See “Regulatory Overview—Banking Regulation—Capital Adequacy and Leverage.”

Additionally, from January 1, 2016 onwards, financial institutions licensed by the Central Bank are required to present their Additional Principal Capital (*Adicional de Capital Principal* or “ACP”), pursuant to CMN Resolution 4,193 dated March 1, 2013, as amended,, which is an additional rate of Common Equity Tier 1 Capital (*Capital Principal*). ACP is calculated by applying certain percentage rates to Risk Weighted Assets (*Ativos Ponderados pelo Risco*, “RWA”). According to CMN Resolution 4,193, the calculation of ACP corresponds to the sum of the following: (i) Preserved ACP (*Adicional de Conservação de Capital Principal*); (ii) Countercyclical ACP (*Adicional Contracíclico de Capital Principal*); and (iii) with relation to certain types of financial institutions, ACP of Systemic Importance (*Adicional de Importância Sistêmica de Capital Principal*). Non-compliance with Additional Principal Capital limits, as long as the insufficiency of ACP is verified, restricts: (i) the payment of variable remuneration to officers and administrators of the respective financial institution; (ii) the payment of dividends and interest on shareholder’s equity; (iii) the payment of net surplus and annual compensation to shareholders of credit cooperatives; (iv) the repurchase of shares, in any amount; and (v) any possible capital decrease. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Capital Requirements—Regulatory Capital Adequacy.”

We may be unable to meet the minimum capital adequacy requirements required by the Central Bank due to changes in the rules concerning capital adequacy or changes in the performance of the Brazilian economy as a whole. We may also be compelled to limit our credit operations, dispose of assets and/or take other measures that may adversely affect us.

If we were deemed an “investment company” required to register as such under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have an adverse effect on our business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of registered investment companies (or companies that should be but are not so registered). Among other things, the Investment Company Act and the rules thereunder applicable to such companies limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. Operation of a complex financial services business within those rules is impracticable. We therefore intend to conduct our operations so that we will not be an investment company required to register as such under the Investment Company Act.

We hold ourselves out as a diversified financial services firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities, a key element in the definition of an investment company under the Investment Company Act. However, there is a risk that some of our equity investment activities, especially if viewed in isolation from our other activities and our related companies, potentially could be considered those of an investment company subject to regulation under the Investment Company Act. As a result, we have elected to take steps to ensure compliance under such laws by limiting the persons and entities that may acquire the Notes. The Notes will be offered pursuant to an exclusion from the definition of investment company as the Notes will be offered and sold in the United States only to prospective investors that are “qualified purchasers” within the meaning given to such term in the Investment Company Act, and outside the United States only in accordance with Rule 903 under the Securities Act. See “Transfer Restrictions.”

The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business.

Since it was enacted in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) has resulted in rulemakings that have instituted a wide range of reforms impacting the U.S. financial markets and covering a broad range of market participants, including broker-dealers and investment advisers. In particular, the Dodd-Frank Act affects our investment adviser in the U.S. because it mandates additional new reporting requirements, including information with respect to positions, use of leverage and counterparty and credit risk exposure. The Dodd-Frank Act also creates the Financial Stability Oversight Council (the “Council”), which is charged with monitoring and mitigating systemic risk in the financial industry. As part of this responsibility, the Council has the authority to subject certain financial firms to additional regulations, which could limit the amount of risk-taking engaged in by certain financial firms.

While no asset managers have been subjected to these additional regulations, in December of 2014, the Council released a notice seeking public comment on the risks to the U.S. financial system posed by certain aspects of the asset management industry. If we were ever subjected to these additional regulations, it could result in increased regulation of our business, including higher standards on capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and annual stress tests by the Federal Reserve.

In addition, the Dodd-Frank Act gives the SEC discretion to adopt rules regarding the standards of conduct that a broker-dealer employs when providing investment advice to retail customers, and certain rules relating thereto are expected to be adopted shortly.

Failure to comply with, or changes to, net capital requirements could adversely affect us.

The SEC, FINRA and various other regulatory agencies have stringent rules with respect to the maintenance of specific levels of net capital by SEC-registered broker-dealers. Our U.S. broker-dealer is required to comply with these net capital requirements and if it fails to maintain the required net capital, the SEC could suspend or revoke its registration or FINRA could expel it from membership, which could ultimately lead to its liquidation, or they could impose censures, fines and other sanctions. If the net capital rules are changed or expanded, or if there is an unusually large charge against net capital, then our operations that require capital could be limited. A large

operating loss or charge against net capital could have a material adverse effect on our ability to maintain or expand our broker-dealer business in the U.S.

Limits on bank loan interest rates could have an adverse effect on us.

The Brazilian Federal Constitution historically imposed a 12.0% cap on the interest rates of loans from financial institutions. In 2003, however, such limit was eliminated by the enactment of Constitutional Amendment No. 40, as this amendment allows the Brazilian financial system to be regulated by specific laws. The Brazilian Civil Code and Decree No. 22,626, dated April 7, 1933 (known as the Usury Law), however, continue to provide limitations on interest rates. Brazilian Law No. 4,595, dated December 31, 1964, which regulates the national financial system, together with several court decisions, has exempted financial institutions from the limits mentioned above. However, changes in Brazilian courts' interpretations, or any new legislation or regulation imposing a ceiling or limiting bank loan interest rates, could have a negative effect on us. In addition, the Brazilian government has recently been pressuring financial institutions to lower the applicable interest rates, which could also have a negative effect on us.

Risks Relating to the Notes

We and the Arranger and Dealer are affiliated companies that are part of the BTG Pactual Group, and once the Arranger and Dealer participates in the bookbuilding process, distortions may occur in the setting of the material terms of the Notes.

BTG Pactual US Capital, LLC, the Arranger and Dealer for the Programme, is our wholly-owned subsidiary and will participate in the setting of the issue price, interest rate and other material terms of the Notes, together with other managers. This participation in the bookbuilding process may cause distortions in such terms of the Notes or reduce the liquidity of the Notes in the secondary market.

We may have the right to redeem the Notes.

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so, the terms applicable to such redemption. The relevant Final Terms will specify the basis for calculating the redemption amounts payable. We cannot give any assurances that amounts that may be paid upon redemption can be reinvested at a rate that will provide the same rate of return to investors as their investment in the Notes.

A finding that the Notes were a fraudulent conveyance could result in holders losing their legal claim against us.

We do not believe that any Notes will constitute a fraudulent conveyance. In the event that Brazilian or U.S. fraudulent conveyance or similar laws are applied to the Notes, however, and if at the time we issue Notes, we:

- were rendered insolvent by reason of its issuing such Notes;
- were engaged in business or transactions for which the assets remaining with us constituted unreasonable small capital;
- intended to incur, or believed that we would incur, debts beyond its ability to pay such debts as they mature; or
- received less than reasonably equivalent value or fair consideration thereof,

then our obligations under the Notes could be voided, or claims in respect of the Notes could be subordinated to the claims of other creditors. A legal challenge to us on fraudulent conveyance grounds may focus, among other claims, on the benefits, if any, realized by us as a result of the issuance of the Notes. If the Notes are held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the Notes would not have a claim against us under the Notes, or such claim could be subordinated to claims of our other creditors. We cannot assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the holders relating to any voided portion of the Notes.

Relevant local insolvency laws may not be as favorable to you as bankruptcy laws in the jurisdictions with which you are familiar and may preclude holders of the Notes from recovering payments due on the Notes.

Banco BTG Pactual is established under the laws of Brazil. Any insolvency proceedings with regard to Banco BTG Pactual would most likely be based on, and governed by, the insolvency laws of Brazil. For a description of the insolvency laws concerning financial institutions in Brazil, see “Regulatory Overview—Banking Regulation—Insolvency Laws Concerning Financial Institutions in Brazil.” Such insolvency laws may not be as favorable to your interests as creditors as the laws of jurisdictions with which you are familiar.

If we are unable to meet our payment obligations under the Notes, then we may become subject to bankruptcy, judicial reorganization or other insolvency proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions.

Enforcement of the Notes may be difficult.

In the event of bankruptcy, judicial reorganization, insolvency or a similar event, separate and independent proceedings could be initiated in any of these jurisdictions. The rights of holders of the Notes will thus be subject to the laws of these jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, judicial reorganization, insolvency and other similar proceedings. Moreover, such multijurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors’ rights.

We may be unable to service our indebtedness, including the Notes.

Our ability to make scheduled payments on and to refinance our indebtedness, including the Notes, depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors, including the availability of financing in the banking and capital markets as well as the other risks described herein. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt, including the Notes, to refinance our debt or to fund our other liquidity needs. If we are unable to meet our debt obligations or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, including the Notes, which could cause us to default on our debt obligations and impair our liquidity. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Controlling Partners may have interests that differ from your interests as a Noteholder.

As of the date of this Offering Memorandum, our Controlling Partners, through G7 Holding and BTG Pactual Holding, control our common shares which, subject only to certain limited exceptions (see “Our Partnership—Shareholders Agreements—Partners Brazil Shareholders Agreement” and “Principal Shareholders”), allow our Controlling Partners to control our management, direction and policies, including the outcome of any matter submitted to a vote of shareholders. As a result, subject to certain exceptions, our Controlling Partners are able to (i) elect and control the decisions of the majority of our board of directors, (ii) control our management and policies, and (iii) determine without the consent of Noteholders the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, amalgamations, consolidations and the sale of all or substantially all of our assets. As the controlling shareholders of Banco BTG Pactual, our Controlling Partners are also able to prevent or cause a change in control of Banco BTG Pactual. The interests of our Controlling Partners may not coincide with yours as a holder of Notes. For example, our Controlling Partners may have an interest in undertaking expansions, acquisitions, divestitures, financings and other actions that, in their judgment, could enhance their equity investments, even though those actions might involve risks to you as a holder of the Notes.

The rating of the Notes may be lowered or withdrawn depending on some factors, including the rating agency’s assessment of our financial strength and Brazilian sovereign risk.

Any rating assigned to the Notes reflects the rating agency’s assessment of our ability to make timely payment of interest on each payment date. Any rating assigned to the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure the investors that any rating assigned to the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in the rating of the Notes will not be an event of default under the Trust Deed. The assigned rating may be raised or lowered depending, among other factors, on the rating agency’s assessment of our financial strength as well as its assessment of Brazilian sovereign risk generally and any change to these may affect the market price or liquidity of the Notes. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

Controls and restrictions on foreign currency remittances, or remittances to foreign investors generally, could impede our ability to make payments under the Notes.

The purchase and sale of foreign currency in Brazil is subject to governmental control. The Brazilian economy has experienced balance of payment deficits and shortages in foreign currency reserves to which the Brazilian government has responded by restricting the ability to convert Brazilian currency into foreign currency. Brazilian law provides that whenever a serious imbalance in Brazil’s balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. For example, in 1989 and early 1990, the Brazilian government restricted fund transfers that were owed to foreign equity investors and held by the Central Bank, in order to preserve Brazil’s foreign currency reserves. These amounts were subsequently released. However, similar measures could be taken by the Brazilian government in the future.

Even though the Brazilian foreign exchange market has recently experienced a de-regulation process, the Brazilian government may in the future:

- restrict companies, including financial institutions, such as us, from paying amounts denominated in foreign currencies (such as payments under the Notes); or
- require that any of those payments be made in *reais*.

The likelihood of such restrictions may be determined by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy toward the International Monetary Fund, political constraints to which Brazil may be subject and other factors. To date, the Brazilian government has not imposed any restrictions on payments by Brazilian issuers in respect of debt securities issued in the international capital markets, but we cannot assure you that such restrictions will not be imposed by the Brazilian government.

When any Notes are issued under the Programme, there will be no public trading market for such Notes and your ability to sell the Notes is limited.

Any Notes issued under the Programme will be new debt securities, and there is no existing public market for them, except that there may be an existing public market for any Notes that are fungible with an existing Series, but there can be no assurance in this regard. Application has been made for the Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market, which is not a regulated market within the meaning of the MIFID Directive. However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or trade on the Euro MTF Market. We cannot assure you that an active trading market for the Notes will ever develop or be sustained. The relevant Final Terms will specify whether or not Notes of the relevant Series will be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange and/or markets. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be adversely affected. We also cannot assure you as to the liquidity of any markets that may develop for the Notes, the ability of holders of the Notes to sell their Notes, or the price at which holders would be able to sell their Notes. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, our financial condition, the prospects for other companies in the banking industry, and the market for similar securities.

Holders of the Notes may face difficulties in serving process on or enforcing judgments against us and other relevant persons.

We are a corporation organized under the laws of Brazil. Most of our board members, executive officers and independent public accountants reside or are based in Brazil. Most of our assets and those of such other persons are located in Brazil. As a result, it may not be possible for you to effect service of process upon us or such other persons within the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil, if certain conditions are met, you may face greater difficulties in protecting your interests in the case of actions against us, our board of directors or executive officers than would holders of the Notes issued by a U.S. corporation.

Judgments of Brazilian courts enforcing our obligations under the Notes or the Trust Deed would be expressed in real-equivalent amounts.

If proceedings were brought in Brazil seeking to enforce our obligations under the Notes or the Trust Deed, any judgment obtained thereunder against us would be expressed in the amount in *reais* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect on the date (i) of actual payment, (ii) on which such judgment is rendered, or (iii) on which collection or enforcement proceedings are started against us. Accordingly, absent the imposition hereafter of any law, regulation or directive otherwise restricting the exchange of *reais* into, or the remittance from Brazil of, the non-Brazilian currency in which the Notes are denominated dictated by economic, market or other disruptive circumstances, the amount of *reais* made available as a result of such judgment would be applied towards the exchange into, and the remittance from Brazil of, such amount of non-Brazilian currency due and unpaid under the Notes.

Our obligations under the Notes are subordinated to certain statutory liabilities.

Under Brazilian law, our obligations under the Notes and the Trust Deed are subordinated to certain statutory preferences. In the event of our extrajudicial liquidation or bankruptcy, such statutory preferences, such as claims for salaries, wages, secured payment obligations, social security and other taxes, court fees and expenses, will have preference over any other claims.

We may issue further debt or other instruments which may rank pari passu with the Notes.

There is no restriction on the amount of debt or instruments that we may issue which rank *pari passu* with the Notes. The issuance of any such instruments may reduce the amount recoverable by the holders of Notes upon any bankruptcy or insolvency and would increase the likelihood that we may suspend the payment of interest on the Notes.

We may not be able to obtain necessary governmental authorizations. If we are unable to make payments on the Notes from the Cayman Islands Branch and must make payments from Brazil, we may experience delays in obtaining, or be unable to obtain, the necessary Central Bank approvals, if then applicable, which would delay or prevent us from making payments on the Notes.

The issue of Notes by us, acting through our principal office in Brazil, is subject to certain registrations with and requirements of the Central Bank, namely (i) the registration of the main financial terms under the relevant Electronic Declaratory Registry – Registry of Financial Transactions (*Registro Declaratório Eletrônico – Registro de Operações Financeiras*) (“ROF”), on the SISBACEN for the issuance of any series of Notes by us, which shall be obtained prior to any such issuance; (ii) the registration of the schedule of payments of principal in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil; and (iii) the further authorization from the Central Bank required to enable us to remit payments abroad in foreign currency under any series of Notes other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF. We cannot assure you that any such registration with or approval of the Central Bank will be obtainable at a future date.

If we are unable to make payments on the Notes through our Cayman Islands Branch and must make payments from Brazil, we could experience delays in obtaining or be unable to obtain the necessary Central Bank approvals, which would delay or prevent us from making payments on the Notes.

Any issue of Notes by us through our Cayman Islands Branch is not subject to approval by or registration with the Central Bank. In the event payment under the Notes issued by our Cayman Islands Branch is made directly from Brazil (whether by reason of a lack of liquidity of our Cayman Islands Branch, acceleration, enforcement or judgment or imposition of any restriction under the laws of the Cayman Islands), a specific Central Bank approval may be required. If we are unable to obtain the required approvals, if needed for the payment of amounts owed by our Cayman Islands Branch through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the Notes. However, we cannot assure you that other remittance mechanisms will be available in the future, and, even if they are available in the future, we cannot assure that payment on the Notes would be possible through such mechanism. If we are unable to make payments on the Notes through our Cayman Islands Branch and we are prevented from making the payments from Brazil, we would not be able to make payments on the Notes.

ERISA, the Code and Similar Law may restrict investments by plans in the Notes.

A plan fiduciary considering an investment in the Notes should consider, among other things, whether such an investment is consistent with its fiduciary obligations under ERISA, the Code or any Similar Law, and whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Code or any applicable Similar Law and, if so, whether an exemption from such prohibited transaction rules is available. See “Certain ERISA Considerations.”

We may rely on Section 3(c)(7) of the Investment Company Act for our exemption from registration thereunder and may be a “covered fund” as defined in Section 13 of the U.S. Bank Holding Company Act.

After extended conformance periods, the final rules implementing Section 13 of the U.S. Bank Holding Company Act of 1956, which was added by Section 619 of the Dodd-Frank Act (often called the Volcker Rule) are now in effect and generally prohibit banking entities (as defined in the Volcker Rule) from, among other things, acquiring or retaining an “ownership interest” in a “covered fund” (each as defined in the Volcker Rule).

Because we have taken steps to rely on Section 3(c)(7) of the Investment Company Act for our exemption from registration thereunder, unless we qualify for an exemption under the Volcker Rule (and no such exemption is anticipated), we may be considered to be a “covered fund.” Accordingly, banking entities may be restricted from acquiring and retaining the Notes or any of our other interests that qualify as “ownership interests” under the Volcker Rule, unless such a banking entity could rely on an exclusion or exemption from the Volcker Rule’s prohibitions.

Each investor in the Notes must make its own determination as to whether it is a banking entity subject to the Volcker Rule, whether we are a “covered fund” under the Volcker Rule, whether its investment in the Notes is, or could in the future be, restricted or prohibited by any provisions of the Volcker Rule, the potential impact of the Volcker Rule on its investment in the Notes, any marketability or liquidity constraints for the Notes that might arise from covered banking entities being so restricted, and similar considerations. It should be assumed, however, that marketability or liquidity of the Notes could be affected now or in the future.

Notes linked to “benchmarks” (including Floating Rate Notes).

The Programme allows for the issuance of Notes that reference certain interest rates or other types of rates or indices which are deemed to be “benchmarks”, including LIBOR and EURIBOR, in particular with respect to certain Floating Rate Notes where the Reference Rate (as defined in the Conditions) may be LIBOR, EURIBOR or another such benchmark. The applicable Final Terms for Notes will specify whether LIBOR, EURIBOR or another such benchmark is applicable.

Benchmarks are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, the FCA has announced that after 2021 it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark and that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021 by the FCA. As a result, it appears highly likely that LIBOR will be discontinued or modified by 2021.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an Original Reference Rate and/or any page on which an Original Reference Rate may be published, becomes unavailable, or if the Issuer, the Calculation Agent, the Trustee, any Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such an Original Reference Rate. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions), with the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer following consultation with the Independent Adviser (as defined in the Terms and Conditions), if the Issuer is able to appoint one. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) may still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate, Alternative Rate or adjustment spread is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used in accordance with the Terms and Conditions of the Notes. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the

availability of Successor Rates and Alternative Rates and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

The Notes will be unsecured and effectively subordinated to the rights of our existing and future secured creditors.

Subject to the conditions described under “Terms and Conditions of the Notes,” the Notes are unsecured and therefore do not have the benefit of any collateral. Accordingly, the Notes will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness. Secured creditors will have a prior right to collateral securing their indebtedness in case of an event of default under our secured indebtedness and that of our subsidiaries, to the exclusion of the holders of the Notes, even if we are in default under the Notes. In that event, such collateral would first be used to repay in full all indebtedness and other obligations secured by such secured creditors, resulting in all or a portion of the collateral being unavailable to satisfy the claims of the holders of the Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment to secured creditors of us or our subsidiaries of collateral in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of Notes would have rights with respect to our remaining assets ratably with all holders of our unsecured indebtedness that are deemed to be of the same class as such Notes, and potentially with all other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, holders of Notes should expect to receive less, ratably, than holders of secured indebtedness.

The Central Bank or Brazilian courts may, in certain circumstances including a liquidation of or intervention at Banco BTG Pactual or one or more of its subsidiaries, treat Banco BTG Pactual as a co-obligor of the debt of our subsidiaries.

Under Brazilian law, the Central Bank or Brazilian courts may, in certain circumstances including a liquidation of or intervention at Banco BTG Pactual or one or more of its subsidiaries, disregard the ownership structure of our subsidiaries and treat Banco BTG Pactual and its subsidiaries as jointly liable for the subsidiaries’ debts. In this event, creditors of our subsidiaries may have claims against assets of Banco BTG Pactual that they would not have had in the absence of such action and such creditors’ claims may rank equally in right of payment with Banco BTG Pactual’s creditors.

CAPITALIZATION

The table below presents our capitalization as of September 30, 2019. The information described below is derived from our unaudited interim consolidated financial statements as of September 30, 2019. Except as otherwise disclosed in this Offering Memorandum, there has been no material change to our capitalization since September 30, 2019.

The table below has not been adjusted to reflect the receipt of any net proceeds of any issue of Notes under the Programme.

You should read this table in conjunction with “Presentation of Financial and Other Information,” “Selected Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and the notes related thereto, included elsewhere in this Offering Memorandum.

	As of September 30, 2019	
	Actual	
	(in R\$ millions)	(in US\$ millions) ⁽¹⁾
	(Unaudited)	
Current liabilities		
Deposits	19,469.9	4,674.6
Open market funding	31,296.8	7,515.3
Funds from securities issued and accepted	4,912.7	1,179.7
Interbank transactions	4.6	1.1
Interdependencies transactions	215.5	51.8
Loans and onlending	1,075.5	258.3
Derivative financial instruments	3,275.4	786.5
Securities trading and brokerage	5,243.3	1,259.1
Subordinated debts	1,404.5	337.3
Other liabilities	44,450.1	10,673.8
Total current liabilities	111,348.5	26,738.2
Long-term liabilities		
Deposits	1,589.6	381.7
Open market funding	244.8	58.8
Funds from securities issued and accepted	16,357.3	3,927.9
Loans and onlending	3,176.0	762.7
Derivative financial instruments	1,949.1	468.0
Subordinated debts	4,392.0	1,054.7
Debt instrument eligible to equity	2,487.8	597.4
Other liabilities	5,237.5	1,257.7
Total long-term liabilities	35,434.0	8,508.8
Deferred income	178.1	42.8
Non-controlling interest	204.5	49.1
Shareholders’ equity	20,821.1	4,999.8
Total liabilities and shareholders’ equity	167,986.2	40,246.9

- (1) Solely for the convenience of the reader, the amounts in reais as of September 30, 2019 have been translated into U.S. dollars using the rate of R\$4.1644 to U.S.\$1.00 as of September 30, 2019, which was the commercial selling rate for U.S. dollars as of September 30, 2019, as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

USE OF PROCEEDS

The net proceeds of any issue of Notes under the Programme are to be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.

EXCHANGE RATES

The Central Bank allows the *real* to U.S. dollar exchange rate to float freely, and has intervened occasionally to control unstable fluctuations in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future.

Exchange rate fluctuations may also adversely affect the market price of the notes and on our financial condition. See “Risk Factors—Risks Relating to Brazil.”

The following tables provide information on the selling exchange rate, expressed in *reais* per U.S. dollar (R\$/US\$), for the periods indicated, as reported by the Central Bank.

Year Ended December 31,	Period-end	Average for Period ⁽¹⁾ (<i>reais per U.S. dollar</i>)	Low	High
2013	2.342	2.161	1.953	2.446
2014	2.657	2.355	2.197	2.740
2015	3.905	3.339	2.575	4.195
2016	3.259	3.483	3.119	4.156
2017	3.308	3.193	3.054	3.338
2018	3.875	3.656	3.139	4.188
2019 (through November 29, 2019)	4.224	3.931	3.652	4.260

Source: Central Bank.

(1) Represents the daily average of the exchange rates on the closing day during the relevant year.

Month	Period-end	Average for Period ⁽¹⁾ (<i>R\$ per US\$</i>)	Low	High
March 2019	3.897	3.846	3.776	3.968
April 2019	3.945	3.896	3.840	3.973
May 2019	3.941	4.002	3.934	4.106
June 2019	3.832	3.859	3.823	3.900
July 2019	3.765	3.779	3.740	3.856
August 2019	4.138	4.020	3.830	4.168
September 2019	4.164	4.122	4.049	4.183
October 2019	4.004	4.087	3.995	4.174
November 2019 (through November 29, 2019)	4.224	4.155	3.979	4.260

Source: Central Bank.

(1) Represents the daily average of the exchange rates during the relevant periods.

As of November 29, 2019, the U.S. dollar commercial selling rate published by the Central Bank was R\$4.2240 per US\$1.00.

SELECTED FINANCIAL AND OPERATING INFORMATION

The tables below set forth certain of our selected financial and operating information as of and for the periods indicated. You should read the information below in conjunction with our consolidated financial statements and related notes and the sections “Presentation of Financial and Other Information,” “Summary Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following selected financial and operating information has been derived from our: (i) unaudited interim consolidated financial statements as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018 and the notes thereto and (ii) audited consolidated financial statements as of and for the years ended December 31, 2018, 2017 and 2016 and the notes thereto, which are included elsewhere in this Offering Memorandum.

The presentation of our audited income statement is based upon accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (Brazilian GAAP) and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an unaudited adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market. Our unaudited adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be considered in isolation or construed as segment information under IFRS 8 because our management does not rely on this information for decision-making purposes. Accordingly, our unaudited adjusted income statement may differ from the presentation and segmentation used by other banks and companies. Furthermore, our unaudited adjusted income statement has not been audited or reviewed by our independent auditors. Accordingly, you are cautioned to not place undue reliance on our unaudited adjusted income statement.

Our unaudited adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. Our unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. The classification of the line items in our unaudited adjusted income statement, however, has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement. See “Presentation of Financial and Other Information—Financial Statement—Our Unaudited Adjusted Income Statement.”

We have translated some of the *real* amounts included in this Offering Memorandum into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$4.1644 to US\$1.00 which was the exchange rate in effect as of September 30, 2019, as published by the Central Bank on its electronic information system, SISBACEN. The U.S. dollar equivalent information presented in this Offering Memorandum are provided solely for the convenience of the reader and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into U.S. dollars or Swiss Francs at such rates or at any other rate. The *real*/U.S. dollar exchange rate has recently been subject to a high degree of volatility and may continue to fluctuate to a significant extent and, accordingly, the exchange rate as of September 30, 2019 may not be indicative of future exchange rates. We have not updated the translation rates used above for a most recent date as the translation have been performed solely for convenience and therefore should not be considered in making an investment decision. See “Exchange Rates” for information regarding the *real*/U.S. dollar exchange rates.

Selected Balance Sheet Data

	As of December 31,				As of September 30,	
	2016	2017	2018	2018	2019	2019
	(in R\$ millions)			(in US\$ millions) ⁽¹⁾	(in R\$ millions)	(in US\$ millions) ⁽¹⁾
Assets						
Cash at banks	674.1	4,347.2	979.2	235.1	1,056.6	253.7
Interbank investments	20,752.7	27,792.3	43,497.2	10,445.0	32,561.2	7,818.9
Securities and derivative financial instruments	37,486.2	42,288.0	29,991.7	7,201.9	40,665.4	9,765.0
Interbank transactions	2,235.3	1,703.6	1,635.6	392.8	1,240.2	297.8
Loans.....	9,513.4	13,026.2	18,219.6	4,375.1	24,330.4	5,842.5
Securities trading and brokerage	2,790.9	3,598.4	3,877.2	931.0	4,683.9	1,124.8
Other receivables.....	29,524.5	28,171.3	29,990.2	7,201.6	54,783.4	13,155.2
Other assets	153.5	127.2	259.2	62.2	287.1	68.9
Permanent assets	8,640.9	5,537.4	9,196.5	2,208.4	8,378.1	2,011.8
Total assets.....	111,771.6	126,591.6	137,646.4	33,053.1	167,986.2	40,338.6
Liabilities and Shareholders' equity						
Deposits.....	7,690.8	9,178.3	20,950.1	5,030.8	21,059.6	5,057.1
Open market funding.....	24,904.0	33,890.2	35,575.0	8,542.6	31,541.6	7,574.1
Funds from securities issued and accepted	10,335.7	10,289.5	14,396.3	3,457.0	21,270.0	5,107.6
Interbank transactions	5.1	5.4	6.8	1.6	4.6	1.1
Interdependencies transactions.....	82.6	24.4	74.9	18.0	215.5	51.8
Loans and onlending	3,544.8	4,729.9	4,969.6	1,193.4	4,251.5	1,020.9
Derivative financial instruments.....	9,644.9	14,161.8	2,813.5	675.6	5,224.5	1,254.6
Other liabilities						
Securities trading and brokerage.....	4,102.0	4,232.6	5,200.8	1,248.9	5,243.3	1,259.1
Subordinated debts	7,283.0	6,317.2	5,266.2	1,264.6	5,796.5	1,391.9
Debt instrument eligible to equity	4,305.2	3,043.3	6,065.6	859.6	2,487.8	597.4
Other liabilities	21,879.1	21,942.3	23,214.3	6,171.4	49,687.6	11,931.5
Deferred income.....	141.8	120.6	130.0	31.2	178.1	42.8
Non-controlling interest	125.5	132.4	138.7	33.3	204.5	49.1
Shareholders' equity.....	17,727.2	18,523.7	18,844.9	4,525.2	20,821.1	4,999.8
Total liabilities and shareholders' equity ..	111,771.6	126,591.6	137,646.4	33,053.1	167,986.2	40,338.6

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

Selected Income Statement Data

	For the year ended December 31,				For the nine months ended September 30,		
	2016	2017	2018	2018	2018	2019	2019
	(in R\$ millions)			(in US\$ millions) ⁽¹⁾	(in R\$ millions)		(in US\$ millions) ⁽¹⁾
Financial income	13,451.1	9,523.7	9,893.4	2,375.7	7,208.9	9,149.2	2,197.0
Loans	1,809.4	1,529.7	1,339.5	321.6	928.2	1,347.7	323.6
Securities	4,969.8	5,873.3	5,934.1	1,425.0	4,281.1	4,823.7	1,158.3
Derivative financial instruments	4,161.8	1,596.7	2,069.9	497.0	1,659.3	2,911.9	699.2
Foreign exchange.....	2,308.0	376.7	435.6	104.6	270.9	0.0	0.0
Mandatory investments.....	202.1	147.4	114.4	27.5	69.4	66.0	15.8
Financial expenses	(6,642.6)	(5,633.2)	(7,092.9)	(1,703.2)	(5,475.9)	(6,228.9)	(1,495.8)
Funding operations	(7,111.4)	(5,172.7)	(5,318.1)	(1,277.0)	(3,532.9)	(4,140.8)	(994.3)
Borrowings and onlending	565.8	(567.3)	(1,628.8)	(391.1)	(1,906.9)	(1,382.4)	(332.0)
Foreign exchange.....	0.0	0.0	0.0	0.0	0.0	(415.2)	(99.7)
Allowance for loan losses and other receivables	(97.0)	106.8	(146.1)	(35.1)	(36.2)	(290.6)	(69.8)
Net financial income	6,808.5	3,890.5	2,800.5	672.5	1,732.9	2,920.3	701.3
Other operating income (expenses)	(2,554.1)	(2,117.4)	208.6	50.1	117.0	1,118.9	268.7
Income from services rendered	2,697.8	1,597.0	2,171.7	521.5	1,539.6	2,172.6	521.7
Personnel expenses	(1,676.6)	(648.9)	(776.8)	(186.5)	(574.2)	(602.2)	(144.6)
Other administrative expenses	(2,134.8)	(2,679.7)	(1,212.5)	(291.1)	(888.0)	(949.0)	(227.9)
Tax charges.....	(556.1)	(240.7)	(296.3)	(71.1)	(203.2)	(303.1)	(72.8)
Equity in the earnings of associates and jointly controlled entities	(794.0)	4.8	36.5	8.8	(71.5)	826.5	198.5
Other operating income	1,266.8	895.5	589.7	141.6	727.9	251.5	60.4
Other operating expenses.....	(1,357.1)	(1,045.4)	(303.8)	(72.9)	(413.6)	(277.5)	(66.6)
Operating income	4,254.4	1,773.1	3,009.0	722.6	1,850.0	4,039.2	969.9
Non-operating income (expenses)	940.1	4.7	137.8	33.1	141.0	27.6	6.6
Income before taxation and profit sharing	5,194.5	1,777.9	3,146.9	755.7	1,991.0	4,066.8	976.6
Income tax and social contribution	(1,112.9)	1,287.2	(152.9)	(36.7)	165.5	(653.1)	(156.8)
Provision for income tax.....	(190.8)	(160.0)	(657.5)	(157.9)	(719.8)	(330.5)	(79.4)
Provision for social contribution.....	(157.1)	(42.6)	(589.3)	(141.5)	(598.5)	(204.0)	(49.0)
Deferred income tax and social contribution.....	(765.1)	1,489.8	1,094.0	262.7	1,483.8	(118.5)	(28.5)
Statutory profit sharing	(721.5)	(689.1)	(626.3)	(150.4)	(338.4)	(761.8)	(182.9)
Non-controlling interest	48.5	7.9	(6.9)	(1.7)	(9.8)	(2.7)	(0.7)
Net income	3,408.6	2,383.9	2,360.8	566.9	1,808.3	2,649.2	636.1
Interest on equity	(1,390.0)	(1,223.7)	(1,196.6)	(287.3)	(592.5)	(624.0)	(149.8)

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

Unaudited Adjusted Income Statement Data

	For the year ended December 31,				For the nine months ended September 30,		
	2016	2017	2018	2018	2018	2019	2019
	<i>(in R\$ millions)</i>			<i>(in US\$ millions) ⁽¹⁾</i>	<i>(in R\$ millions)</i>		<i>(in US\$ millions) ⁽¹⁾</i>
Investment banking	367.1	366.6	464.0	111.4	378.0	642.6	154.3
Corporate lending	876.6	790.1	848.8	203.8	715.4	584.5	140.4
Sales and trading	2816.5	2,389.0	1,539.4	369.7	1,042.3	2,123.2	509.8
Asset management.....	539.6	486.3	717.0	172.2	438.2	584.0	140.2
Wealth management.....	2407.9	368.7	472.2	113.4	352.4	446.5	107.2
Principal investments	(29.8)	15.1	690.7	165.9	362.7	716.9	172.2
Participations.....	(112.8)	(15.5)	4.7	1.1	30.6	374.5	89.9
Interest and other	1932.1	1,127.2	615.4	147.8	483.8	374.9	90.0
Total revenues, net of direct expenses allocation.....	8,797.1	5,527.5	5,352.2	1,285.2	3,803.6	5,847.2	1,404.1
Bonus	(805.8)	(745.5)	(685.0)	(164.5)	(386.8)	(771.6)	(185.3)
Salaries and benefits.....	(1,637.4)	(529.4)	(614.7)	(147.6)	(458.6)	(497.7)	(119.5)
Administrative and others	(1,707.9)	(852.6)	(840.6)	(201.9)	(611.3)	(698.4)	(167.7)
Goodwill amortization.....	(243.8)	(279.8)	(146.5)	(35.2)	(106.8)	(114.3)	(27.4)
Tax charges, other than income tax	(370.7)	(244.0)	(272.8)	(65.5)	(187.5)	(298.3)	(71.6)
Total operating expenses.....	(4,765.6)	(2,651.3)	(2,559.6)	(614.6)	(1,751.0)	(2,380.3)	(571.6)
Income before taxes.....	4,031.5	2,876.2	2,792.6	670.6	2,052.6	3,466.8	832.5
Income tax and social contribution revenue (expense)	(623.0)	(492.3)	(431.8)	(103.7)	(243.9)	(817.7)	(196.4)
Net income	3,408.5	2,383.9	2,360.8	566.9	1,808.7	2,649.2	636.1

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

Reconciliation of Certain Non-GAAP Metrics

We calculate adjusted net income as net income for the period, as adjusted to eliminate the effects of certain events that, in the opinion of our management, are isolated in nature and, therefore, distort comparability across periods, including mainly (i) goodwill amortization related to the BSI/EFG acquisition and, in 2017 only, in connection with our earlier acquisitions of Celfin in Chile and Bolsa y Renta in Colombia, (ii) certain administrative and other expenses, mainly related to legal fees in connection with the arbitration of BSI (see “Business–Legal Matters–Civil and Other Proceedings”), (iii) in 2017 only, certain impacts to our investment banking revenues reflecting a reversal of fees due to a transaction not being approved by the Brazilian antitrust authorities, (iv) in 2018 only, mainly expenses related to our adhesion to tax amnesty programs and (v) the tax impacts of the aforementioned adjustments. Our management believes that results excluding non-recurring items and goodwill provide more meaningful information on the underlying profitability of our businesses. However, adjusted net income should not be considered by itself or as a substitute for net income, operating income or cash flow from operations or other measures of operating performance, liquidity or ability to pay dividends. Our definition of adjusted net income may differ from those used by other companies.

We calculate adjusted return on average equity based on adjusted net income.

The below table presents the reconciliation from net income to adjusted net income for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2017	2018	2018	2019
	<i>(in R\$ millions)</i>			
Net income	2,383.9	2,360.8	1,808.7	2,649.2
Revenue adjustments ⁽¹⁾	82.3	0.0	0.0	0.0
Bonus impacts ⁽²⁾	(9.3)	0.0	0.0	0.0
Administrative and other expenses ⁽³⁾	238.0	136.2	120.7	100.5
Goodwill amortization ⁽⁴⁾	279.8	146.5	106.8	114.3
Tax charges, other than income tax ⁽⁵⁾	0.0	86.0	86.0	0.0
Income tax ⁽⁶⁾	(25.8)	11.8	(91.7)	(40.3)
Adjusted net income	2,948.9	2,741.3	2,030.5	2,823.7

- (1) Mainly corresponds to (i) R\$37.3 million in losses in connection with the sale of Ariel Re and (ii) R\$37.0 million of investment banking fees received in 2016 in connection with a merger transaction that was not approved by the antitrust authorities and, therefore, which we had to deduct.
- (2) Corresponds to bonus payments paid in connection with the merger transaction not approved by the antitrust authorities, as described in footnote (1) above, in order to fully eliminate the impact of this event on our 2017 results.
- (3) Mainly corresponds to legal fees primarily in connection with BSI/EFG arbitration (see “Business–Legal Matters–Civil and Other Proceedings”).
- (4) Reflects goodwill amortization mainly related to our interest in BSI/EFG. In 2017, it also reflects goodwill amortization from our earlier acquisitions of Celfin in Chile and Bolsa y Renta in Colombia.
- (5) Mainly corresponds to non-recurring expenses emanating from our adherence to a tax amnesty program in Rio de Janeiro.
- (6) Corresponds to the tax impacts of the above adjustments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a financial institution with origin and headquarters in Brazil, acting in the main Latin American markets. We have approximately 2,400 professionals providing services of investment banking, asset management and wealth management. Through a platform with high capability of international distribution, we provide a comprehensive range of financial services to a regional and global client base, which main focus is the large corporations, institutional investors, governments and HNWI.

Founded in 1983, we consider that our more than three-and-a-half-decade experience and our firmly established brand are key success factors in our decision to explore new opportunities in the retail banking market, leveraged by technological innovations. Our first incursion in this market was the launch in January 2016 of BTG Pactual Digital, an online investment platform dedicated to retail. Combined with other initiatives, BTG Pactual Digital will integrate our digital retail platform that, under a unified and exclusively dedicated leadership, will comprise: (a) investment, credit and banking services solutions to retail; (b) credit and other banking services to small and medium-sized businesses; (c) distribution of insurance; (d) investment in Banco PAN; (e) training in data and investment content analysis; and (f) boostLAB, the scale-ups accelerator and business originator.

We operate as a meritocratic partnership, which currently consists of 247 Partners. We have local coverage in six of the main cities in Brazil, including São Paulo and Rio de Janeiro, in addition to Chile, Colombia, Mexico, Peru and Argentina. We also have strategic presence in New York, Miami and London, focused on distribution of a wide variety of banking products in Latin America and managing global clients' funds. We occupy a leadership position in the Brazilian market and, as a result of our expansion and strategic focus on Latin America, we have been reaching an increasing business volume in Chile and Colombia.

Our Business Areas

Our operational strategy is focused on the following main business areas:

- **Investment Banking**, which provides financial advisory and capital markets services;
- **Corporate Lending**, which offers financing, structured credit and guaranteed loans to companies;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, research and equities, derivatives, interest rate, foreign exchange, energy and commodities transactions for hedging and trading purposes, as well as insurance and reinsurance products and services;
- **Asset Management**, which offers asset management services with a broad range of products across several international asset classes, especially in Latin America, to local and international clients;
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI and institutions; and
- **Consumer Lending and Insurance**, which provides financing and loans and insurance to individuals, especially through our investment in Banco PAN and Too Seguros (formerly known as Pan Seguros), respectively.

In addition to the business areas described above, we continue to hold certain legacy investments in companies originating from our Principal Investments operation, mainly represented by our ownership interest in Eneva and PetroAfrica and real estate investments. We also hold investments in institutions that are outside of our strategic core operation, such as EFG and, until September 30, 2019, an interest in Engelhart CTP. The economic rights associated with the majority of Banco BTG Pactual's stake in EFG were transferred to BTG Pactual Holding on September 30, 2019. See "Related Party Transactions—Proposed Partial Transfer of Banco BTG Pactual's Stake

in EFG to BTG Pactual Holding” and “—Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual’s Interest in EFG.”

We are focused on offering disruptive products and services to meet our clients’ evolving expectations through expanding our presence and product offerings in Latin America and taking advantage of opportunities arising from an accelerated transformation of banking intermediation as a result of technological innovations, an increasing maturity of Brazilian investors and the expectation that interest rates will remain at historically low levels. In this scenario and in addition to a growth perspective in our traditional markets, our digital retail platform will be fully dedicated to capture opportunities in market segments not yet well explored by us.

Macroeconomic Environment

Most of Banco BTG Pactual’s business activities are conducted in Brazil. Accordingly, it is significantly affected by the general economic environment in Brazil, which, in turn, is impacted to a larger degree by the political environment. In addition, it derives substantial revenue from non-Brazilian securities and is therefore also subject to global economic conditions and, in particular, fluctuations in worldwide financial markets.

Launched by the Office of the Brazilian Federal Prosecutor at the end of 2014, the ongoing *Lava Jato* investigation has probed members of the Brazilian federal government and other members of the legislative branch, as well as senior officers and directors of large state-owned and other private sector companies in connection with allegations of political corruption. The resulting fallout from the *Lava Jato* investigation contributed to the impeachment of Brazil’s former president, Dilma Rousseff, in August 2016 and the destabilization of the Brazilian economy. Following Brazil’s presidential elections in October 2018 and under the new administration of Jair Bolsonaro, who was sworn in as president of Brazil on January 1, 2019, uncertainty continues to prevail regarding the policies that the new government may adopt or change or the effect that any such policies might have on our business and on the Brazilian economy as a whole. In addition, throughout this period since 2014, the Brazilian political and economic scenario has been characterized by high levels of volatility and instability including, until 2017, a contraction of GDP, sharp fluctuations of the Brazilian *real* against the U.S. dollar and increased levels of unemployment. Increasing levels of political instability or uncertainty resulting from the ongoing *Lava Jato* investigation or other investigations as well as the new administration’s policies may create additional uncertainty in a number of sectors of the Brazilian economy. For more information, see “Risk Factors—Risks Relating to our Business and Industry—Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.”

2016

The Brazilian economy continued to deteriorate in 2016. On February 15, 2016, Standard & Poor’s downgraded Brazil’s long-term debt to BB from BB+ and maintained the negative outlook. Further, on May 26, 2016, Moody’s Investors Service downgraded Brazil’s government bond rating to Ba2(P) from Ba2. Moody’s also changed the outlook on the rating to negative from stable. Moody’s Investors Service cited: (i) weak economic growth, increased government spending and a lack of political consensus, which will limit the authorities’ ability to arrest and reverse upward trends in deficit and debt metrics, and (ii) materially deteriorating debt metrics relative to Baa-rated peers.

Brazil recorded a 3.59% decrease in its GDP in 2016. In addition, the IPCA recorded a 6.29% year-over-year decrease as of December 31, 2016.

In the external sector, the current account deficit totaled US\$23.5 billion (1.2% of GDP) in 2016, less than half of the 2015 total (US\$59.4 billion).

Finally, the *real* appreciated relative to the U.S. dollar reaching R\$3.26 as of December 31, 2016.

2017

In the fourth quarter of 2017, Brazil’s GDP increased 0.1% quarter-over-quarter and 2.1% year-over-year. Such increase was, mainly attributable to gains in both consumption and investments at the margin, which enabled the economy to grow 1.0% over the full year of 2017. Such result reinforced the view of a slow but consistent economic recovery for Brazil.

After decreasing from 2014 to 2016, the industrial sector achieved stability in 2017, while services increased 0.3%, following a 5% decrease in the prior two years. In addition, the soy and corn harvest in Brazil led to a significant increase of 13% in the agriculture/livestock segment in 2017, adding 0.6 percentage points to the overall annual increase of 1.0% in GDP. Specifically, the soy and corn harvests increased 19% and 55%, respectively, in 2017 compared to 2016, and resulted in the agriculture/livestock segment to be the largest growth contributor in 2017. With respect to the demand side, household consumption experienced a relative revival, increasing 1.0% in 2017 after decreasing approximately 7% in the prior two years. Lastly, the momentum of gains in investments in the second half of 2017 did not translate to growth over the full year as the segment declined 1.8% in 2017 as compared to 2016. The net contribution of the external sector remained flat in 2017.

Inflation, as measured by IPCA, recorded a strong performance in 2017, finishing the year at 2.95% year-over-year (vs. 6.29% in 2016), below the lower band (3%) of the inflation target (4.5% year-over-year). The unusually strong performance of the food group, which witnessed a deflation due to the historically strong harvest season, was the major driver behind the significant slowdown of the IPCA index. In addition, deflation in other free-market prices, particularly in industrial goods and services, contributed in keeping inflation low in 2017.

On the fiscal front, mandatory expenditures and the large social security deficit continue being the main source of deficit in public accounts and have yet to be addressed.

2018

In the fourth quarter of 2018, Brazil's GDP increased 0.1% quarter-over-quarter and 1.1% year-over-year. Such increase continued to show the slow recovery of the Brazilian economy which was mainly affected by a volatile agriculture/livestock segment, a contracting manufacturing segment, reduced industrial performance and increased services output.

As of December 31, 2018, the IPCA posted a month-over-month inflation of 0.15% and reported a year-over-year inflation of 3.75%, reflecting the slow economic activity in Brazil.

Brazil's 12-month primary deficit reached R\$108.5 billion in 2018 (1.6% of Brazil's GDP), an improvement when compared to 2017 figures.

Brazil's non-seasonally-adjusted unemployment rate was 11.6% in the fourth quarter of 2018. Therefore, the gradual downward trend in the unemployment rate that took place since mid-2017 was slightly reversed in 2018 with employment contracting, labor force participation declining and an increase of labor underutilization rate (a broader measure of labor market slack that includes discouraged workers and those who work fewer hours than desired) increasing to a record high of 25.5% in the end of 2018. While wages continued to increase in 2018, this positive development may only be sustainable if the economy and employment figures improve.

Brazil posted a current account deficit of US\$0.8 billion in December 2018. As a result, the current account deficit totaled US\$14.5 billion (0.8% of Brazil's GDP) in 2018, higher than the deficit of US\$7.2 billion (0.4% of Brazil's GDP) in 2017, but lower than the deficit in previous years. Although the trade balance has posted higher results in recent months, the annual trade surplus in 2018 (US\$53.6 billion) declined compared with 2017 (US\$64.0 billion) and was the main driver of the increase in the current account deficit in 2018. The financial account was positively affected by inflows of US\$88.3 billion via foreign direct investments in 2018, an increase from US\$70.3 billion in 2017, mainly driven by intercompany loans. Overall, the external accounts were robust in 2018 indicating Brazil's low external vulnerability.

2019

In the second quarter of 2019, Brazil's GDP increased 0.4% quarter-over-quarter and 1.0% year-over-year. We believe such increase indicates that domestic demand in Brazil is recovering, excluding the public sector. However, we believe that the strength and continuity of such recovery depends on the adoption of the government's reform agenda. Recently, the Brazilian Congress approved the pension reform; however, there is no guarantee that further reforms will sustain growth as anticipated or at all. As of October 2019, the IPCA posted a month-over-month inflation of 0.1% and reported a year-over-year inflation of 2.5%, reflecting ample slack capacity as well as low inflation pass-through and well-anchored inflation expectations, which remain below target for 2019 and 2020.

Brazil's 12-month primary deficit reached R\$91 billion in September 2019 (1.3% of Brazil's GDP), an improvement when compared to December 2018 figures (1.6% of Brazil's GDP).

As of August 2019, Brazil's non-seasonally-adjusted unemployment rate, was 11.8%. After losing momentum at the beginning of 2019, formal job creation increased in the third quarter of 2019 and attained 2018 year-end levels. In the third quarter of 2019, labor underutilization measures remained close to all-time highs, indicating that there is still significant labor market slack.

The current account deficit stood at US\$3.5 billion in September 2019. As a result, the 12-month accumulated current account deficit totaled US\$37.4 billion (2% of Brazil's GDP), somewhat higher than the deficit of US\$21.9 billion (1.4% of Brazil's GDP) in December 2018.

In October 2019, the COPOM decreased the SELIC rate to 5.0% per annum and has indicated that there is room for further monetary stimuli.

The following table presents key data relating to the Brazilian economy for the periods indicated:

	For the year ended December 31,		As of September 30,	
	2016	2017	2018	2019
GDP growth ⁽¹⁾	(3.31%)	1.06%	2.23%	1.00%
CDI rate ⁽²⁾	14.00%	9.93%	6.40%	5.71%
TJLP ⁽³⁾	7.50%	7.00%	7.00%	5.95%
SELIC rate ⁽⁴⁾	13.75%	7.00%	6.50%	5.50%
Appreciation (depreciation) of the real against the U.S. dollar ⁽⁵⁾	23.92%	(1.06%)	(15.60%)	(7.10%)
Selling exchange rate (at period end) R\$ per US\$1.00 ⁽⁶⁾	R\$ 3.26	R\$ 3.31	R\$ 3.87	R\$ 4.16
Average exchange rate R\$ per US\$1.00 ⁽⁷⁾	R\$ 3.48	R\$ 3.19	R\$ 3.66	R\$ 3.89
Inflation (IGP-M) ⁽⁸⁾	7.19%	(0.52%)	(7.54%)	3.37%
Inflation (IPCA) ⁽⁹⁾	6.29%	2.95%	3.75%	2.89%

Sources: BNDES, Central Bank, IBGE and Economática.

- (1) Real percentage change in Brazilian GDP as measured by IBGE. As of the date of this Offering Memorandum, data for the nine-month period ended September 30, 2019 was not available.
- (2) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*, "CDI"), is the average daily interbank deposit rate in Brazil (at the end of the periods presented).
- (3) *Taxa de Juros de Longo Prazo* ("TJLP") represents the long-term interest rate applied by BNDES for long-term financing (at the end of the periods presented).
- (4) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC (at the end of the periods presented).
- (5) Calculated for 2018, 2017 and 2016 using the exchange rate for conversion of U.S. dollars into *reais* on December 31 as compared to January 1 of the same year, and with the exchange rate on September 30 as compared to January 1 of the same year for 2019.
- (6) The selling exchange rate at the end of the years for 2018, 2017 and 2016 and end of period for the nine months ended September 30, 2019.
- (7) Average of the selling exchange rates on the last day of each month during the periods presented.
- (8) The IGP-M, as calculated by FGV (at the end of the periods presented).
- (9) The inflation rate is the Consumer Price Index, as calculated by the IBGE (at the end of the periods presented).

Principal Factors Affecting Banco BTG Pactual's Financial Condition and Results of Operations

Banco BTG Pactual faces a variety of risks that are substantial and inherent to its businesses, including market, liquidity, credit, operational, legal, regulatory and reputational risks. A summary of the most important factors that could affect Banco BTG Pactual's businesses follows below. For a further discussion of these and other important factors that could affect its businesses, see "Risk Factors." For a discussion of how management seeks to manage some of these risks, see "—Risk Management" below.

Market Conditions and Market Risk

The financial performance of Banco BTG Pactual's various business units is affected in various degrees by the environments in which it operates.

A favorable business environment in any particular market, including Brazil, is generally characterized by, among other factors, high and sustainable gross domestic product growth, transparent, liquid and efficient capital markets, low inflation, a high level of business and investor confidence, stable political and economic conditions and strong business earnings. Unfavorable or uncertain economic and market conditions mainly result from: (i) declines or volatility in economic growth, business activity or investor confidence; (ii) limitations on the availability or increases in the cost of credit and capital; (iii) increases in inflation, interest rates, exchange rate volatility, default rates, commodity prices, capital controls or limits on the remittance of dividends; (iv) outbreaks of hostilities or other geopolitical instability; (v) corporate, political or other scandals, including with respect to corruption, that reduce investor confidence; (vi) natural disasters, pandemics or acute climatic conditions, such as drought; (vii) nationalization or forced seizures by the government; or a combination of these or other factors. Banco BTG Pactual's businesses and profitability have been and may continue to be adversely affected by market conditions in many ways, including the following:

- many of Banco BTG Pactual's business activities, such as its principal investments and corporate lending unit, have exposures to debt securities, loans, derivatives, mortgages, equities (including private equity) and other types of financial instruments. In addition, Banco BTG Pactual also maintains an inventory of securities on its balance sheet to facilitate its clients' activities in its sales and trading unit, including its market-making business. As a result, it commits large amounts of capital to maintain financial instruments in its trading book and loans and other debt instruments in its banking book. The majority of these long and short exposures to financial instruments are marked-to-market on a daily basis and, as a result, declines in asset values directly and immediately impact its earnings, unless it has effectively "hedged" its exposure to such declines. Even with respect to financial instruments that are not marked-to-market, declines in asset values may eventually impact Banco BTG Pactual's earnings, unless it has effectively "hedged" its exposure to such declines. In certain circumstances (particularly in the case of private equities or other securities that are not freely tradable or lack established and liquid trading markets), it may not be possible or economically viable to hedge such exposures, and even to the extent that it does so, the hedge may be ineffective or may greatly reduce Banco BTG Pactual's ability to profit from increases in the values of the assets. Sudden declines and significant volatility in the prices in financial markets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces its ability to limit losses in such positions, which could require Banco BTG Pactual to maintain additional capital and increase its funding costs;
- Banco BTG Pactual's cost of obtaining long-term unsecured funding is directly related to its credit spreads. Credit spreads are influenced by market perceptions of Banco BTG Pactual's creditworthiness. Widening credit spreads, as well as significant declines in the availability of credit, may adversely affect its ability to borrow. Banco BTG Pactual funds its operations on an unsecured basis by issuing deposits, medium-term debt and long-term debt, or by obtaining lines of credit. It seeks to finance many of its assets, including its less liquid assets, on a secured basis, including by entering into repurchase agreements. Disruptions in credit and financial markets make it difficult and more expensive to obtain funding for its businesses. If available funding is limited or Banco BTG Pactual is forced to fund its operations at higher costs, these conditions may require it to curtail its business activities or increase its cost of funding, both of which could reduce its profitability, particularly in its businesses that involve investing, lending and taking principal positions, including market making;
- in the recent past, Banco BTG Pactual's business units, particularly its investment banking unit, have been, and may continue to be, adversely affected by challenging market conditions. Brazil, for example, is currently recovering from a challenging economic environment, and there can be no assurance that the economic disruptions that have been affecting the country in recent years will not reemerge. With respect to its investment banking unit, unfavorable economic conditions and other adverse geopolitical conditions can adversely affect and have adversely affected the confidence of investors, companies and their controlling shareholders, and management teams, resulting in significant industry-wide declines in the size and number of underwritten capital raising and of financial advisory transactions, which could have an adverse effect on Banco BTG Pactual;

- Banco BTG Pactual's sales and trading unit reacts to market volatility, which in turn affects trading and arbitrage opportunities. Decreases in market volatility can reduce these activities and adversely affect the results of the business unit. Increases in market volatility can increase trading volumes and spreads, and positively affect revenue, but can also increase Banco BTG Pactual's risk exposure, which could eventually lead to a decrease in revenue;
- The performances of Banco BTG Pactual's asset and wealth management units are directly influenced by prevailing economic conditions in Latin America (particularly in Brazil) and elsewhere. These activities generally depend, among other factors, on assumption by its clients of greater risk, which may decline in periods of economic uncertainty. In addition, unfavorable market conditions generally lead to increased interest rates for time deposits and fixed-income instruments. Any of these factors may cause Banco BTG Pactual's clients to transfer their assets out of its funds or affect its ability to attract new clients or additional assets from existing clients and result in reduced net revenue from these activities. Banco BTG Pactual receives management fees based on the value of its clients' portfolios or investment in funds managed by it and, in many cases, also receives performance fees based on increases in the value of such investments. Declines in asset values reduce the value of its clients' portfolios or fund assets, which in turn reduce the management and performance fees it earns for managing such assets; and
- We formally launched our digital platform, BTG Pactual Digital, our marketplace for investments, in January 2016. This online platform was developed internally and now distributes investment funds, fixed income products and pension plans from BTG Pactual and third parties as well as treasury investments and home broker capabilities for all our clients. Distributions is made through two different channels: (i) B2C (business to consumer) which connects BTG Pactual directly to its final clients; and (ii) B2B (business to business) which connects a network of independent agents and their clients to our platform. Our digital banking platform is subject to many of the same market risks as our asset and wealth management units, with economic conditions having a significant impact on client behavior.

Liquidity Risk

Liquidity is essential to Banco BTG Pactual's business. Banco BTG Pactual's liquidity may be impaired by an inability to access secured and/or unsecured funding, an inability to access funds from its subsidiaries or to sell assets or redeem its investments, or by unforeseen outflows of cash or collateral. Such situations may arise due to regulatory changes or circumstances that Banco BTG Pactual may be unable to control, such as a general market disruption or an operational problem that affects third parties or us, or even by the perception among market participants that Banco BTG Pactual, or other market participants, are experiencing liquidity constraints. Liquidity risk tends to increase to the extent that Banco BTG Pactual holds a larger inventory or trades a broader range of financial instruments and invests in non-publicly traded companies, mainly via its private equity activities.

The financial instruments that Banco BTG Pactual holds and the contracts to which it is a party often do not have readily available markets to access in times of liquidity stress, as in the case of loans and other types of credit instruments and other financial instruments not traded in organized markets (i.e., over the counter financial instruments). Further, its ability to sell assets or otherwise access debt markets may be impaired if other market participants seek to sell similar assets at the same time, as is likely to occur in a general liquidity or other market crisis. In addition, financial institutions with which Banco BTG Pactual interacts may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair its access to liquidity.

Banco BTG Pactual's credit ratings are important to its liquidity. A reduction in its credit ratings could adversely affect its liquidity and competitive position, increase its borrowing costs, limit its access to the capital markets or trigger certain obligations under bilateral provisions in some of its trading and collateralized financing contracts. Under these provisions, counterparties could, for example, be permitted to terminate contracts with Banco BTG Pactual or require it to post additional collateral. Termination of Banco BTG Pactual's trading and collateralized financing contracts could cause it to sustain losses and impair its liquidity by requiring it to find other sources of financing or to make significant cash payments or securities movements.

Credit and Counterparty Risk

Banco BTG Pactual is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties may default on their obligations to Banco BTG Pactual due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect it. Banco BTG Pactual is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations it holds could result in losses and/or adversely affect its ability to use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of any of its counterparties could also have a negative impact on its results. While in many cases Banco BTG Pactual is permitted to require additional collateral by counterparties that experience financial difficulty, disputes may arise as to the amount of collateral Banco BTG Pactual is entitled to receive and the value of pledged assets. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Through our corporate lending business, we have extended loans to companies in the Brazilian construction sector that are subject to the *Lava Jato* investigations. In some cases, the financial condition of these borrowers was, and continues to be, adversely affected by the consequences of these investigations. As a result of these investigations, these borrowers may be required to pay substantial fines, experience liquidity problems or may be restricted in their ability to make payments on these loans, which may increase the number of non-performing loans, decrease demand for borrowings and adversely impact our business. See “Risk Factors—Risks Relating to Our Business and Industry—Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.”

Banco BTG Pactual finances its clients’ positions as part of its sales and trading business, and could be held liable for defaults or misconduct by its clients. Although Banco BTG Pactual regularly reviews and manages credit exposures to specific clients and counterparties and to specific industries, countries and regions, default risk may arise from events or circumstances that are difficult to detect or foresee, particularly as new business initiatives lead it to transact with a broader array of clients and counterparties and expose it to new asset classes and new markets.

As it has divested assets, the amount and duration of Banco BTG Pactual’s credit exposures and the number of entities to which it has credit exposures have decreased over the past two years. Due to the wholesale nature of its business, Banco BTG Pactual has a natural concentration risk in its credit portfolio.

The credit risk analysis of the transactions and counterparties are performed by an independent area (Credit Risk Control), and approved by the Credit Risk Committee, where consent from both business and control functions are required.

Operational Risk

Operational risk incidents can adversely affect Banco BTG Pactual’s profitability, customer service and reputation and may require substantial resources and effort by management to remediate. It is Banco BTG Pactual’s strategy to manage operational risks in a cost effective manner, within targeted levels consistent with our risk appetite. All areas are required to review and improve continuously the robustness of Banco BTG Pactual’s Operational Risk Framework through the ongoing analysis of operational risk incidents and understanding whether such incidents resulted from lack of appropriate control standards or non-performance of existing controls. All areas must reassess their risks, issues and controls at least annually and report them to operational risk area according to internal standards.

The business of Banco BTG Pactual is highly dependent on its ability to process, monitor and settle a large and complex number of operations. These transactions often involve different markets, currencies, jurisdictions and legal, tax and regulatory standards. To assist in this scenario, Banco BTG Pactual relies on a variety of systems, which can be developed internally or supported by an external vendor. System failures (hardware or software), disruption in telecommunication, and power failure can all result in interrupted business and financial loss.

The interconnectivity between financial institutions and the central agents or clearing houses may increase the risk of an operational failure at one of these agents, causing an industry-wide failure. These events are also monitored by Banco BTG Pactual and directly impact the ability of the institution to conduct its business.

The large volume of transactions processed by Banco BTG Pactual coupled with, in some cases, their highly complex nature, presents additional operational risks in terms of failure in delivery, transaction or process management that has the potential to cause losses. Errors in data entry, miscommunication, deadline misses, accounting errors, inaccurate reports, incorrect client records, negligent loss of client assets and vendor disputes are operational risk events that could bring legal exposure.

Business Continuity Management (BCM) is a management process that identifies risk, threats and vulnerabilities that could impact an entity's continued operations and provides a framework for building organizational resilience and the capability for an effective response.

The objective of Business Continuity Management is to make Banco BTG Pactual more resilient to potential threats and allow the entity to resume or continue operations under adverse or abnormal conditions. This is accomplished by the introduction of strategies to reduce the likelihood and impact of a threat and the development of plans to respond and recover from threats that cannot be avoided or mitigated.

Legal and Regulatory Risk

Banco BTG Pactual is subject to extensive and evolving regulation in jurisdictions around the world. Firms in the financial services industry are subject to rigorous regulatory scrutiny worldwide. These regulations could limit Banco BTG Pactual's business activities, increase compliance costs and, to the extent the regulations strictly control the activities of financial services firms, make it more difficult for Banco BTG Pactual to distinguish itself from competitors. Substantial legal liability or a significant regulatory action against Banco BTG Pactual could have material adverse financial effects or cause significant reputational harm to it, which in turn could seriously harm its business.

As a financial institution, Banco BTG Pactual is generally subject to capital requirements on a consolidated basis set forth by the Central Bank, and certain of its subsidiaries are also subject to capital requirements based on standards adopted by local (i.e., host) government regulators, by whom they are also supervised on a stand-alone basis. Complying with these requirements may require Banco BTG Pactual to liquidate assets or raise capital in a manner that could adversely increase its funding costs or otherwise adversely affect its unit holders and creditors, including note holders. In addition, failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on its financial condition.

Like other institutions that operate in the financial segments in which it operates, Banco BTG Pactual faces some litigation risks in its businesses, including potential litigation involving securities fraud, conflicts of interest and insider trading, among others. For additional information regarding global regulatory standards for banks and banking systems and their implementation in Brazil, see "Regulatory Overview—The Brazilian Financial System and Banking Regulation—Banking Regulation—Principal Limitations and Restrictions on Financial Institutions" and "Regulatory Overview—The Brazilian Financial System and Banking Regulation—Banking Regulation—Capital Adequacy and Leverage."

Through its subsidiaries in the United States, Banco BTG Pactual is also subject to extensive regulation under U.S. law and regulations, including oversight by FINRA and SEC. Through BTG Pactual Europe LLP, one of Banco BTG Pactual's operating entities authorized and supervised by the Financial Conduct Authority (the "FCA"), to provide investment services, Banco BTG Pactual is additionally subject to other regulatory requirements in the United Kingdom. Through BTG Life, its Chilean insurance business, Banco BTG Pactual is also subject to regulation in Chile, including oversight by the Financial Market Commission (*Comisión para el Mercado Financiero*). See "Risk Factors—Risks Relating to the Regulatory Environment—The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business," "Regulatory Overview—Regulation in the United States" and "Regulatory Overview—Regulation in the United Kingdom." Its Chilean, Colombian, Peruvian, Mexican and Luxembourg operations are subject to regulatory capital

requirements determined by the laws of such countries and their regulators, respectively, calculated based on their own capital considered individually. Due to Banco BTG Pactual's investment in EFG, it is also subject to regulatory oversight in Switzerland, Liechtenstein and Luxembourg, mainly relating to reporting and disclosure obligations rather than capital requirements.

Tax Risk

Tax risk includes the risk of exposure to fines, penalties, judgments, damages and/or settlements in connection with regulatory assessment as a result of non-compliance with applicable legal and regulatory requirements.

Banco BTG Pactual is subject to the tax laws of the various jurisdictions in which it operates. To determine the financial statement impact of accounting for taxes, including the provision for income tax expense and deferred taxes, and to seek to comply with applicable tax law, Banco BTG Pactual must make assumptions and judgments about how to apply these tax laws. However, many of these tax laws are complex, subject to different interpretations and are frequently under review by governmental authorities. These reviews frequently result in revisions to applicable laws, regulations and interpretations thereof, sometimes with retroactive effect.

For example, in recent years, tax authorities have paid closer attention to transfer pricing and have reviewed the allocation of income and loss, and taxes paid, to their respective jurisdictions. It is possible that tax authorities could require that items of income or loss be reallocated among, or disallowed for, Banco BTG Pactual's subsidiaries, or could levy tax assessments on its subsidiaries in a manner that adversely affects it.

In addition, disputes may occur regarding Banco BTG Pactual's view with respect to a tax position. These disputes with the various taxing authorities may be settled by audit, administrative appeals or adjudication in the court systems of the tax jurisdictions in which it operates. Banco BTG Pactual regularly reviews whether it may be assessed additional taxes as a result of the resolution of these matters, and additional reserves may be recorded as appropriate. Additionally, it may revise Banco BTG Pactual's estimate of taxes due to changes in tax laws, regulatory instructions, legal interpretations and tax planning strategies. It is also responsible for withholding taxes, acting as the withholding agent in some transactions and serving as the legal representative of foreign investors, if elected. It is possible that revisions in its estimate of taxes may materially affect it in any reporting period.

Banco BTG Pactual's tax department is accountable for managing tax risks and also for supporting all its business units and administrative areas. All potential risks are promptly and clearly reported to its Senior Management Team.

Reputational Risk

The success of Banco BTG Pactual's businesses is highly dependent on its reputation and, as a result, it maintains principles and practices that it believes conform to the highest ethical standards. Banco BTG Pactual strives to carefully and selectively review transactions and services before it accepts an engagement in order to minimize any potential damage to its reputation. Banco BTG Pactual believes that damage to its reputation can arise from: (i) doing business with controversial counterparties or clients; (ii) the social, environmental or public impact of a transaction performed or facilitated by Banco BTG Pactual; (iii) any action or decision that does not conform to the letter and spirit of the law and regulations to which Banco BTG Pactual and its clients are subject or otherwise comply with Banco BTG Pactual's internal policies; and (iv) the perceptions of Banco BTG Pactual's clients, counterparties, investors and regulators, or the public in general, with respect to the foregoing. To ensure the appropriate monitoring of reputational risks, Banco BTG Pactual maintains a Code of Conduct, which sets forth its principles regarding ethical business standards. In addition, Banco BTG Pactual provides specific guidance on various topics in the form of internal policies and procedure manuals and offers extensive training for all of its staff. However, employee misconduct is often difficult to detect. See "Risk Factors—Risks Relating to Our Business and Industry—Misconduct by our personnel could harm us and may not be timely detected and deterred, and we may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us."

Financial Statements

Applicable Accounting Standards

Banco BTG Pactual's consolidated financial statements are prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank in accordance with the standards and instructions of the CMN, the CVM and the Central Bank, when applicable. Banco BTG Pactual's consolidated financial statements include the financial statements of the Banco BTG Pactual, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities ("SPE").

The preparation of Banco BTG Pactual's consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank, requires management to use its judgment to determine and record 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 suspended eligibility, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent inaccuracies in its determination. Banco BTG Pactual and its subsidiaries periodically review these estimates and assumptions. No financial statements prepared in accordance with IFRS for any period are being included in this Offering Memorandum. See "Annex A: Principal Differences between Brazilian GAAP and IFRS" and "Presentation of Financial Information and Other Information."

Consolidated Financial Statements

In our consolidated financial statements all intercompany balances of assets and liabilities, revenue, 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 investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly-controlled entities are recognized in investments.

Functional Currency

The items included in our consolidated financial statements are measured using the currency of the main economic environment in which we operate (functional currency). Our consolidated financial statements are presented in *reais* (R\$), which is our functional currency. Assets and liabilities were translated into *reais* using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate. The financial statements of our foreign affiliates, originally stated in their functional currencies, were translated into *reais* at the foreign exchange rates on the reporting dates. The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature in 2016. Starting in 2017, the effects of foreign exchange variations on investments abroad are distributed in the fair value adjustments in the shareholders' equity.

Emphasis Paragraphs Included in the Auditors' Reports

The auditor's reports for our consolidated financial statements included elsewhere in this Offering Memorandum include emphasis-of-matter paragraphs related to:

- *tax credits recorded in jointly-controlled subsidiary.* As of September 30, 2019 and as of December 31, 2018 and 2017, Banco PAN had deferred tax assets recorded on its balance sheet amounting to R\$2.7 billion, R\$2.9 billion and R\$3.2 billion, respectively, recognized based on long-term projections of future taxable income on which the deferred tax assets will be realized. These deferred tax realization projections were reviewed by Banco PAN's management based on current and future scenarios analyses and approved by its board of directors, relying on certain assumptions related to macroeconomics indices for production and funding costs. The realization of these tax credits, within

the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco PAN;

- *foreign subsidiary equity pick-up.* As mentioned in Note 13 to Banco BTG Pactual's unaudited interim consolidated financial statements as of September 30, 2019 and consolidated financial statements for the year ended December 31, 2018, Banco BTG Pactual holds investments in EFG, but Banco BTG Pactual usually discloses its consolidated financial statements before it has access to the financial information of EFG. This is due to the fact that EFG is a listed company on the SIX Swiss Exchange Ltd. and, accordingly, cannot disclose its financial information to Banco BTG Pactual or any single shareholder prior to releasing its consolidated financial statements to the market. As a result, the equity pick-up is recognized in a period longer than permitted under the rules of the Central Bank, and any adjustment recorded by EFG are only considered in a later period by Banco BTG Pactual; and
- *separate financial statements.* Banco BTG Pactual prepared a separate set of unaudited interim individual financial statements of Banco BTG Pactual on a standalone basis for the nine months ended September 30, 2019 and for the years ended December 31, 2018, 2017 and 2016. Such unaudited interim individual financial statements were also prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank.

Selected Balance Sheets and Income Statements

Banco BTG Pactual's balance sheet and income statement data (i) as of and for the nine months ended September 30, 2019 and 2018 are derived from and should be read in conjunction with its unaudited interim consolidated financial statements and related notes thereto and (ii) as of and for the years ended December 31, 2018, 2017 and 2016 are derived from and should be read in conjunction with its audited consolidated financial statements and related notes for the years ended December 31, 2018, 2017 and 2016, respectively.

Critical Accounting Policies

In connection with the preparation of its financial statements, Banco BTG Pactual was required to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting periods. Banco BTG Pactual's judgment is particularly relevant in the determination of fair values of financial assets and the assessment of the need for provisions for contingent liabilities. Although Banco BTG Pactual believes that its judgment and estimates are based on reasonable assumptions and are made in light of information available to it, they are nevertheless subject to several risks and uncertainties and its actual results may differ from these judgments and estimates.

Banco BTG Pactual sets forth below summarized information relating to its critical accounting policies. See the notes to its financial statements for further information on these critical accounting policies and other accounting policies it adopts.

Cash and Cash Equivalents

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3,604, dated as of August 29, 2008, cash, bank deposits and highly-liquid short-term investments with original maturities of up to 90 days, subject to an insignificant risk of change in value.

Short-term Interbank Investments, Remunerated Deposits at the Central Bank, Time and Interbank Deposits, Open Market Funding, Funds from Securities Issued and Accepted, Loans and Onlending, Subordinated Debts and Other Asset and Liability Transactions

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, calculated on a "pro rata die basis," based on the effective rate of the transactions.

Securities

Measured and classified in accordance with the criteria established by the Central Bank Circular No. 3,068, dated as of November 8, 2001 (“Circular No. 3,068”), under the following categories:

Trading Securities

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

Available for Sale Securities

These are securities that are neither classified as trading securities nor 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.

Held-to-Maturity Securities

These are securities that Banco BTG Pactual has the intent 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.

According to Circular No. 3,068, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

Derivative Financial Instruments

These are classified according to management’s intent, on the transaction date, considering whether such transactions are for hedging purposes.

The transactions using financial instruments of one’s 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 a hedge 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 the statements of income.
- **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 the statement 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, including overhedge to offset tax impact on hedge, is recognized in stockholders’ equity, and reclassified to income for the period in the event of the disposal of the foreign operation. The ineffective portion is recognized in statements of income for the period.

Starting on January 1, 2017, Banco BTG Pactual adopted net investment hedge of foreign operations.

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 options market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

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 such agreements is recorded in memorandum accounts.

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 simultaneously realize the asset and settle the liability.

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 sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

Loans and other Receivables (operations with credit characteristics)

Loans and other receivables with credit characteristics are recorded at present value, calculated on a “pro rata die” basis on the index variation and on the agreed upon interest rate, updated up to the 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 at the same level in which they were classified before renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in results when actually received.

Allowance for Loan Losses

Allowance for loan losses are recognized based on an analysis of loan risk losses at an amount deemed sufficient to cover probable losses, pursuant to CMN Resolution 2,682, dated as of December 22, 1999 (“Resolution No. 2,682”), among which:

- allowances are recorded for loans, based on the classification of the client’s risk, based on the periodic analysis of client quality and activity of industries and not only upon default;
- considering exclusively the default, written off loans against losses are carried after 360 days from the credit due date or after 540 days for transactions with maturity over 36 months; and
- 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 Resolution No. 2,682.

Investment Property

Investment properties held by subsidiaries, whose main business is real estate investments, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the company 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 economic benefits are expected from their disposal.

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.

Foreign Currency Translation

The items included in our consolidated financial statements are measured using the currency of the main jurisdiction in which we operate (functional currency). Our consolidated financial statements are presented in *reais* (R\$), which is our functional currency. Assets and liabilities were translated into *reais* using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate. The financial statements of the companies abroad, originally stated in their functional currencies, were translated into *reais* at the foreign exchange rates on the reporting dates. The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature for 2016. Starting in 2017, the effects of foreign exchange variations on investments abroad are recorded as currency translation adjustments under asset valuation adjustments in the shareholders' equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated financial statements.

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 cash flow 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 jointly-controlled entities, and in deferred income to subsidiaries.

Property and Equipment in Use and Deferred Charges

Property and equipment in use and deferred charges are recorded as costs. Depreciation is calculated using the straight-line basis as the method and is based on the economic useful life of the asset. Appreciation is also calculated using the straight-line basis as the method over the estimated period the asset is expected to be used or disposed. Deferred charges mainly corresponds to leasehold improvements.

Intangible Assets

Pursuant to Resolution 4,534, dated as of November 24, 2016, financial institutions and other institutions authorized to operate by the Central Bank must record as intangible assets non-monetary assets without physical substance, acquired or developed by the institution, intended for the maintenance of the institution or exercised for such purpose. Comprised of (i) goodwill paid in acquisition transferred to intangible asset 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) software and improvements in third party property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

Impairment on Non-financial Assets

Whenever there is clear evidence that assets are measured at an unrecoverable amount, it is recorded as loss in the results in the income statement. This procedure is performed at the end of each fiscal year. Assets subject to impairment are deducted, when applicable, of provision for losses that is calculated according to the bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are, with respect to expectations of future cash flows, discount rates and illiquidity, among others.

Tax Charges

Starting January 1, 2017, in connection with net investment hedge of foreign operations, shareholders' equity is recorded net of tax impact from hedges and reclassified as income or loss for the period in the event of the disposal of the foreign operation.

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 applicable 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\$240,000, and 15% for social contribution.

Contingent Assets and Liabilities, and Legal, Tax and Social Security Obligations

Recognized according to the criteria described below:

- **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.
- **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 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.
- **Legal obligations: tax and social security:** Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

Earnings per Share

Calculated based on weighted average shares outstanding for the period.

Revenue Recognition

Revenue and expenses are recorded under the accrual method.

Banco BTG Pactual's Unaudited Adjusted Income Statement

The presentation of our audited income statement is based upon accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (Brazilian GAAP) and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like Banco BTG Pactual. We believe that the additional presentation of an unaudited adjusted income statement provides information which is more consistent

with the manner in which our publicly-traded global investment banking competitors present financial information to the market.

Banco BTG Pactual's unaudited adjusted income statement includes revenue breakdown by business unit net of funding costs and financial expenses allocated to such unit, a reclassification of certain other expenses and costs for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016, and a discussion of such unaudited adjusted income statement. Banco BTG Pactual's unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing its income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018, 2017 and 2016. The classification of the line items in its unaudited adjusted income statement, however, has not been audited or reviewed by its independent auditors and materially differs from the classification of the corresponding line items in its income statement, as further described below. Prospective investors are urged to read carefully the financial statements before making an investment decision. Banco BTG Pactual's unaudited adjusted income statement has not been audited nor reviewed by its independent auditors, Ernst & Young Auditores Independentes S.S.

A summary of certain material presentation differences between Banco BTG Pactual's unaudited adjusted income statement and the presentation of the income statement in accordance with Brazilian GAAP for the years ended included in this Offering Memorandum can be found on "Presentation of Financial Information and Other Information—Financial Statements—Our Unaudited Adjusted Income Statement."

Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations

Following allegations against Mr. Esteves in November 2015, our management adopted a series of actions to preserve liquidity and capital, which included, among other actions, the disposal of certain relevant investments in subsidiaries and affiliates and corporate restructuring of certain other of our investments. The impact of certain recent acquisitions, divestitures and spin-offs is described below.

BSI/EFG

On July 14, 2014, Banco BTG Pactual entered into a definitive share purchase agreement providing for its indirect acquisition of 100% of the capital shares of BSI SA, a Swiss financial institution ("BSI"), from a subsidiary of Assicurazioni Generali S.p.A. The total final aggregate consideration paid, before the adjustments described below, was CHF1,248 million in cash (equivalent to R\$4,935 million using the exchange rate as of the closing date) consisting of: (i) CHF1,048 million in cash (equivalent to R\$4,162 million using the exchange rate as of the closing date) and (ii) a number of common and preferred shares of Banco BTG Pactual's underlying IPO units of the BTG Pactual Group, with a value of CHF200 million based on trading price over a period prior to closing of the acquisition of BSI (equivalent to R\$773 million using the exchange rate as of the closing date). The transaction also generated a preliminary negative goodwill of CHF27 million (equivalent to R\$109 million using the exchange rate as of the closing date).

The cash consideration and value of the equity consideration accrued interest from January 1, 2014 through the closing date of the acquisition of BSI at Swiss LIBOR plus 1% (in the case of the cash consideration) and Swiss LIBOR plus 2% (in the case of the value of the equity consideration) and was subject to certain adjustments as provided in the BSI share purchase agreement. In addition, BSI was participating as a "Category 2 bank" in the U.S. Department of Justice's Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks (the "DOJ Program"), which allows Swiss banks to resolve certain U.S. client related matters within the defined framework of the DOJ Program. The cash consideration and value of the equity consideration was proportionately decreased for certain pre-closing liabilities of BSI, including the payment or provisions made by BSI under or in connection with the DOJ Program. On March 30, 2015, BSI was the first bank to obtain a non-prosecution agreement under the DOJ Program, under which BSI paid US\$211 million to the DOJ, with the effect of reducing the cash consideration and value of the equity consideration payable by the BTG Pactual Group.

On January 22, 2015, the acquisition of BSI was approved by the Central Bank. On May 29, 2015, the acquisition of BSI was approved by the Swiss Financial Market Supervisory Authority, and on September 30, 2015, the transaction closed, with BSI's results incorporated into our consolidated financial statements as of that date.

In February 2016, BSI sold its remaining equity interest, equivalent to 49.0%, in B-Source, BSI's business process outsourcer.

Confronted with a challenging financial and liquidity scenario at the end of 2015 in the aftermath of the arrest of André Esteves and mounting macroeconomic pressures in Brazil, we pursued a strategy to maintain a conservative balance sheet and increased liquidity, and consistent with this strategy, on February 21, 2016, the BTG Pactual Group entered into a definitive share purchase agreement to sell 100% of BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. We completed the sale to EFG on October 31, 2016. The final transaction consideration for the sale comprised of: (i) CHF575 million in cash (equivalent to R\$1,880 million using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016), (ii) 86.2 million EFG shares listed on SIX, the Swiss stock exchange, corresponding to a 30% stake in EFG (using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG (equivalent to R\$101 million using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016), which generated a goodwill in the amount of CHF340 million (equivalent to R\$1,111.8 million using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016).

On March 15, 2017, the BTG Pactual Group received a notification from EFG requesting purchase price adjustments of approximately CHF278 million in favor of EFG pursuant to the documentation related to the sale of BSI. After careful review of such requested adjustments, and based on available information as of such date, including input from the BTG Pactual Group's advisers, the BTG Pactual Group disagreed and believed that the appropriate adjustment on a risk adjusted basis could be CHF95.7 million in favor of BTG Pactual. On July 17, 2017, after negotiations with EFG, the BTG Pactual Group agreed to return CHF89 million (equivalent to R\$294 million using the exchange rate of R\$3.31 per CHF1.00, which was the exchange rate on July 17, 2017) of the amount previously paid by EFG. The resolution of this matter included the CHF95 million amount previously imposed by the Swiss Financial Market Supervisory Authority on BSI that is the subject of a pending appeal.

Following the release of EFG's financial statements for the year ended December 31, 2017, on February 27, 2018, Banco BTG Pactual became aware of EFG's decision to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, EFG recognized a reduction in its shareholders' equity corresponding to CHF493.9 million for the year ended December 31, 2017, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R\$503.1 million as a reduction of the statutory reserve, for the year ended December 31, 2018.

Prior of the sale of BSI to EFG, in 2016 Banco BTG Pactual recorded financial income of R\$874.1 million from BSI compared to no revenue in 2017 and 2018.

Banco BTG Pactual recognizes the remaining stake of its investment in EFG as an investment in an associate entity based on the equity method. As of September 30, 2019, Banco BTG Pactual's remaining stake in EFG was 29.39% (such interest comprising investments in shares and investments through other instruments).

On June 14, 2019, BTG Pactual Holding completed the secondary offering of 48,000,000 units of Banco BTG Pactual. Following this transaction, Banco BTG Pactual entered into a memorandum of understanding to transfer approximately 25% of the interest in EFG, certain liabilities of Banco BTG Pactual and certain existing and potential future rights and obligations relating to EFG to BTG Pactual Holding, for cash consideration equal to the book value of the shares and liabilities to be transferred as recorded in Banco BTG Pactual's financial statements at the time of such transfer. BTG Pactual Holding is expected to fund most of the cash consideration payable through the net proceeds from its unit offering described above. As of the date of this Offering Memorandum, the closing of this transaction remains subject to regulatory approval. Assuming receipt of the requisite approvals, Banco BTG Pactual expects to retain approximately 5.0% of the common equity interest of EFG. For more information on this transaction and its effects on Banco BTG Pactual, see "Related Party Transactions—Sale of Equity Interest in EFG to BTG Pactual Holding".

On September 30, 2019, Banco BTG Pactual, acting through its Cayman Islands Branch, issued an equity-linked note to BTG Pactual Holding in the nominal amount of CHF 599 million (equivalent to approximately US\$600.6 million as of the issue date thereof), which amount corresponds to the value of Banco BTG Pactual's interest in approximately 25% of the issued shares of EFG, as recorded in Banco BTG Pactual's financial statements

as of September 30, 2019. Pursuant to the terms of this note, Banco BTG Pactual has contractually transferred to BTG Pactual Holding its economic rights corresponding to an approximately 25% interest in EFG, which includes any earnings related to such interest in EFG in exchange for the initial payment in cash of the principal amount (CHF599 million) of the equity-linked note. As such, while the equity-linked note remains outstanding, Banco BTG Pactual is required to pay to BTG Pactual Holding any dividends it receives from EFG in respect of its interest in EFG. However, the issuance of this note does not transfer or modify Banco BTG Pactual's right to exercise its voting rights in respect of its shares of EFG. Accordingly, such voting rights continue to be held and exercised by Banco BTG Pactual. Pending approval of the transfer of the significant majority of its stake in EFG to BTG Pactual Holding, Banco BTG Pactual will continue to reflect its proportional share in the results of EFG via the equity pick-up method and record goodwill in relation to EFG. For more information on this transaction and the expected effects on Banco BTG Pactual, see "Related Party Transactions—Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual's Interest in EFG."

Banco PAN Capital Increase

On November 6, 2017, Banco PAN approved a capital increase in the amount of R\$400 million. CaixaPar assigned to Banco BTG Pactual its rights to subscribe for additional shares in the capital increase and to effect such understanding entered into call/put options for over 50% of the capital increase. The Shareholders Agreement of Banco PAN was not modified since CaixaPar and Banco BTG Pactual remained as co-controllers of Banco PAN. Banco BTG Pactual contributed R\$381.2 million, with no contribution from CaixaPar. As a result, Banco BTG Pactual holds a 50.6% economic interest in Banco PAN.

On April 20, 2018, Banco PAN informed its shareholders and the market in general that the capital increase of the company authorized by its Board of Directors was approved by the Central Bank on February 7, 2018. After the capital increase, Banco BTG Pactual held approximately 577,662 shares, corresponding to 50.6% of Banco PAN's capital stock. On March 13, 2019, CaixaPar notified the exercise of its right to acquire 50% of the shares subscribed by us in November 2017, so that the composition of the total capital stock of Banco PAN was as of such date: (i) 41.7% owned by CaixaPar; (ii) 41.7% owned by BTG Pactual and (iii) 16.6% owned by minority shareholders.

On September 19, 2019, Banco PAN approved a capital increase in the amount of R\$522 million in connection with a follow-on equity offering. Banco BTG Pactual did not exercise its subscription rights in the capital increase and its investment was diluted to 39.5% as a result of the offering. Following Banco Pan's follow-on offering, the composition of the total capital stock of Banco PAN was as follows: (i) 27.3% owned by CaixaPar; (ii) 50.6% owned by BTG Pactual and (iii) 22.1% owned by minority shareholders.

Commodities Business Spin-Off and Transfer of Engelhart CTP

Banco BTG Pactual historically operated a diversified global commodities business operating in Asia, Africa, the Americas and Europe with a focus on energy products, minerals, metals and ores, and agriculture, in addition to an underlying bulk-shipping business. Its activities were primarily concentrated on bulk commodities that can be hedged in liquid derivative markets, with revenue derived from participation in physical trading flows.

On April 8, 2016, Banco BTG Pactual decided to separate its commodity trading activities, with the exception of those activities carried out by the Brazilian energy trading desk, from the operational structure of Banco BTG Pactual and to rearrange the commodities platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners. As a result of this spin-off, Banco BTG Pactual's historical commodities platform began operating separately from Banco BTG Pactual, with limited administrative and operational services to be provided by Banco BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP.

In October 2016, as part of this commodities spin-off, (i) 596,209,676 Class A shares of Engelhart CTP were delivered to Banco BTG Pactual's shareholders that elected to receive an equity interest in Engelhart CTP against delivery to Banco BTG Pactual of 596,209,676 Class C Preferred Shares and (ii) 59,457,673 additional IPO units were added, as at October 14, 2016, to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP.

In 2016, as part of the commodity trading activities separation process, Engelhart CTP acquired 6.1% of its own shares held by Banco BTG Pactual. The total consideration was US\$150 million and the price was equivalent to Engelhart CTP's net asset accounting value.

In 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.62% of its own shares held by the Banco BTG Pactual. The total consideration paid was US\$251 million and the price was equivalent to Engelhart CTP's net asset accounting value.

From April 2016 to September 2019, Banco BTG Pactual recognized the remaining stake of its investment in Engelhart CTP as an investment in an associate entity based on the equity method.

On September 30, 2019, Banco BTG Pactual and BTG Pactual Holding entered into a share purchase and sale agreement pursuant to which Banco BTG Pactual transferred its entire stake in Engelhart CTP to BTG Pactual Holding via the sale of Neoport, the vehicle through which Banco BTG Pactual held a stake in Engelhart CTP, among other assets, for the amount of R\$73.2 million. As a result of such transaction, Banco BTG Pactual no longer holds any interest in Engelhart CTP as of the date of this Offering Memorandum. For more information, see "Related Party Transactions—Transfer of Neoport from Banco BTG Pactual to BTG Pactual Holding."

Sale of Insurance Assets

On November 14, 2016, the BTG Pactual Group, together with its joint-venture partner Abu Dhabi Investment Council (ADIC), entered into definitive agreements to sell 100% of the equity interests in Maybrooke, which held a number of regulated reinsurance entities, to Argo Group International Company Ltd. for an estimated cash consideration of US\$235 million. On February 6, 2017, the transaction was completed, and generated a loss in the amount of R\$35 million.

Loans Recovery Activity and Sale of Neoport

On December 31, 2015, Banco BTG Pactual entered into a firm commitment with Itaú Unibanco S.A. to sell its full ownership interest in Recovery do Brasil Consultoria S.A. ("Recovery"), which provided corporate loan portfolio recovery and other credit agreement services as part of Banco BTG Pactual's corporate lending activities, for the total amount of R\$1.2 billion, structured as follows: (i) transfer of ordinary shares, equivalent to 81.94% of Recovery's share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL ("FIDC NPL"), which is a fund that holds a non-performing loan portfolio, equivalent to 69.34% of the FIDC NPL's total investment, and (iii) transfer of non-convertible debentures issued by Renova Companhia Securitizadora de Créditos Financeiros S.A., which is an entity that also holds a non-performing loan portfolio. On the same date, the referred assets were transferred to be held for sale measured at fair value. The transaction generated an approximate gain of R\$560 million recorded in 2015 under other operating income. On February 17, 2016, the sale transaction was approved by the Brazilian antitrust authorities, and on March 31, 2016 the transaction closed.

In November 2016, Banco BTG Pactual entered into definitive purchase agreements to acquire 70% of the share capital of Enforce, a Brazilian company that, like Recovery, operates in the recovery of corporate loan portfolios, for a purchase price of R\$19.0 million, which it acquired to perform some of the same types of operations that Recovery once did. On December 20, 2016, the Central Bank approved the acquisition of 70% of the share capital of Enforce by Banco BTG Pactual, and on April 5, 2017, the transaction closed.

On October 5, 2017, Banco BTG Pactual acquired Novaportfolio Participações S.A., a Brazilian company that holds certain non-performing loan assets of Banco BVA S.A. ("BVA"), which was in the process of liquidation, for a purchase price of R\$211.0 million.

On October 10, 2018, Banco BTG Pactual acquired Neoport, a Brazilian company that holds certain non-performing loan assets of BVA for a purchase price of R\$70.7 million.

On September 30, 2019, Banco BTG Pactual and BTG Pactual Holding entered into a share purchase and sale agreement pursuant to which Banco BTG Pactual transferred its entire interest in Neoport, which at the time of such sale also included Banco BTG Pactual's interest in Engelhart CTP, among other assets and liabilities, to BTG

Pactual Holding for the amount of R\$73.2 million. For more information, see “Related Party Transactions—Transfer of Neoport from Banco BTG Pactual to BTG Pactual Holding.”

Restructuring of Eneva

The restructuring of Eneva, a power generation company based in Rio de Janeiro to which Banco BTG Pactual provided corporate loans, was completed in September 2015. As part of the restructuring process, part of the Eneva loans held by Banco BTG Pactual were converted into equity, following which Banco BTG Pactual held an ownership interest equivalent to 33.7% of the total capital of Eneva considering two additional asset contributions made by Banco BTG Pactual. As a result of the completion of Eneva’s restructuring and considering its share market price, Banco BTG Pactual recognized fair value in the amount of R\$142 million in 2016 under the line item “Net Financial Income—Securities.”

In October 2017, Eneva completed a follow-on equity offering, where Banco BTG Pactual acted as selling shareholder. In connection with this follow-on equity offering, Banco BTG Pactual’s ownership interest in Eneva decreased from approximately 36% to approximately 27%, without any material effect on Banco BTG Pactual’s revenue for 2017.

On April 4, 2019, Eneva concluded a restricted secondary offering of 60,646,269 of its common shares. The common shares sold in the restricted offering were sold by the Eneva’s shareholders, Itaú Unibanco S.A., Uniper Holding GmbH, Banco Pine S.A., Dommo Austria GmbH and Banco BTG Pactual. The price per common share was R\$18.25, resulting in total proceeds of R\$1,106.8 million, exclusively to such selling shareholders, of which Banco BTG Pactual received R\$218.3 million. As a result of the completion of the restricted offering, Banco BTG Pactual reduced its ownership stake in Eneva from approximately 26.8% to approximately 23.0%.

Sale of Thor Comercializadora

On October 30, 2015, Banco BTG Pactual sold Thor Comercializadora, one of its energy trading entities with contracts totaling R\$1.8 billion on such date, for the total amount of R\$2.0 billion to a third party buyer, of which R\$200 million was received at closing, with the remaining amount to be received over five years in semiannual installments, subject to price adjustments. In connection with this sale, Banco BTG Pactual recorded gains of R\$345.4 million on October 30, 2015. In December 2016, Banco BTG Pactual repurchased Thor Comercializadora de Energia S.A. from the buyer, applying the accounts receivable in connection with the original transaction plus payment of R\$89.5 million.

Acquisition of Uruguayan Timberlands from Weyerhaeuser

On June 5, 2017, the Timberland Group announced that a consortium led by it, part of BTG Pactual Asset Management and one of the world’s largest timber asset managers, would purchase Uruguay timberlands and a manufacturing business from Weyerhaeuser for US\$402.5 million in cash. The acquisition will significantly expand the Timberland Group’s presence in Uruguay, where it has operated since 2005. The transaction includes over 300,000 acres (120,000 hectares) of timberlands in northeastern and north central Uruguay, as well as plywood and veneer manufacturing facility, a cogeneration facility and a seedling nursery.

Acquisition of Ourinvest

On July 19, 2019, Banco BTG Pactual agreed to acquire an 80% stake in Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A., which will be maintained as an independent platform of BTG Pactual. The closing of this transaction is subject to the satisfaction of certain conditions precedent, including obtaining all necessary approvals, such as from the Central Bank, which as of the date of this Offering Memorandum, remain pending.

Other Divestments

In the 60 days following the arrest of Mr. Esteves in November 2015, Banco BTG Pactual also sold (i) its remaining stake in BR Properties, a portfolio company focused on the development, acquisition, leasing and sale of commercial & industrial/logistics real estate properties in Brazil, for R\$600 million and (ii) its stake in ATLL

Concessionaria de La Generalitat de Catalunya S.A., the company responsible for managing the 50-year concession granted to Aigües Ter Llobregat, which manages the upstream water supply for Barcelona, Spain, for R\$317 million.

On October 31, 2017, BW Properties S.A., a subsidiary in which we have a non-controlling interest, through its subsidiary BW1 Morumbi Empreendimento Imobiliário Ltda., completed the sale of the remaining portion of the WT Morumbi project for a total amount of R\$231.8 million.

On September 3, 2019, BTG Pactual Chile SpA signed an equity purchase and sale agreement with DT Tigel S.A. and Vitacura Dos S.A. in order to sell its equity interest in BTG Pactual Chile S.A. Compañía de Seguros de Vida in the amount of UF 1.8 million. The closing of this transaction is subject to the satisfaction of certain conditions precedent, including obtaining all necessary approvals, such as from the relevant regulatory authorities in Chile, which as of the date of this Offering Memorandum remain pending.

Consolidated Income Statement (Brazilian GAAP)

The following table sets forth the unaudited consolidated income statement of Banco BTG Pactual for the nine months ended September 30, 2019 and 2018 and the audited consolidated income statement for the years ended December 31, 2018, 2017 and 2016 and is derived from the financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this Offering Memorandum.

	For the year ended December 31,			For the nine months ended September 30,		
	2016	2017	2018	2018	2019	2019
	(in R\$ millions)			(in R\$ millions)		(in US\$ millions) ⁽¹⁾
Financial income	13,451.1	9,523.7	9,893.4	7,208.9	9,149.2	2,197.0
Loans	1,809.4	1,529.7	1,339.5	928.2	1,347.7	323.6
Securities	4,969.8	5,873.3	5,934.1	4,281.1	4,823.7	1,158.3
Derivative financial instruments	4,161.8	1,596.7	2,069.9	1,659.3	2,911.9	699.2
Foreign exchange.....	2,308.0	376.7	435.6	270.9	0.0	0.0
Mandatory investments.....	202.1	147.4	114.4	69.4	66.0	15.8
Financial expenses	(6,642.6)	(5,633.2)	(7,092.9)	(5,475.9)	(6,228.9)	(1,495.8)
Funding operations	(7,111.4)	5,172.7	(5,318.1)	(3,532.9)	(4,140.8)	(994.3)
Borrowings and onlending	565.8	(567.3)	(1,628.8)	(1,906.9)	(1,382.4)	(332.0)
Foreign exchange.....	0.0	0.0	0.0	0.0	(415.2)	(99.7)
Allowance for loan losses and other receivables.....	(97.0)	106.8	(146.1)	(36.1)	(290.6)	(69.8)
Net financial income	6,808.5	3,890.5	2,800.5	1,732.9	2,920.3	701.3
Other operating income	(2,554.1)	(2,117.4)	208.6	117.0	1,118.9	268.7
Income from services rendered	2,697.8	1,597.0	2,171.7	1,539.6	2,172.6	521.7
Personnel expenses	(1,676.6)	(648.9)	(776.8)	(574.2)	(602.2)	(144.6)
Other administrative expenses	(2,134.8)	(2,679.7)	(1,212.5)	(888.00)	(949.0)	(227.9)
Tax charges.....	(556.1)	(240.7)	(296.3)	(203.2)	(303.1)	(72.8)
Equity in the earnings of associates and jointly controlled entities	(794.0)	4.8	36.5	(71.5)	826.5	198.5
Other operating income.....	1,266.8	895.5	589.7	727.9	251.5	60.4
Other operating expenses	(1,357.1)	(1,045.4)	(303.8)	(413.6)	(277.5)	(66.6)
Operating income	4,254.4	1,773.1	3,009.0	1,850.0	4,039.2	969.9
Non-operating income (expenses)....	940.1	4.7	137.8	141.0	27.6	6.6
Income before taxation and profit sharing	5,194.5	1,777.9	3,146.9	1,991.0	4,066.8	976.6
Income tax and social contribution ...	(1,112.9)	1,287.2	(152.9)	165.5	(653.1)	(156.8)
Provision for income tax	(190.8)	(160.0)	(657.5)	(719.8)	(330.5)	(79.4)
Provision for social contribution	(157.1)	(42.6)	(589.3)	(598.5)	(204.0)	(49.0)
Deferred income tax and social contribution	(765.1)	1,489.8	1,094.0	1,483.8	(118.5)	(28.5)
Statutory profit sharing	(721.5)	(689.1)	(626.3)	(338.4)	(761.8)	(182.9)

	For the year ended December 31,			For the nine months ended September 30,		
	2016	2017	2018	2018	2019	2019
	(in R\$ millions)			(in R\$ millions)		(in US\$ millions) ⁽¹⁾
Non-controlling interest	48.5	7.9	(6.9)	(9.8)	(2.7)	(0.7)
Net income	3,408.6	2,383.9	2,360.8	1,808.3	2,649.2	636.1
Interest on equity	(1,390.0)	(1,223.7)	(1,196.6)	(592.5)	(624.0)	(149.8)

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

Net Financial Income

Banco BTG Pactual's net financial income consists of financial income less financial expenses.

Banco BTG Pactual's financial income is composed primarily of income derived from: (i) interest charged on loans plus commissions charged in connection with Banco BTG Pactual's credit operations; (ii) interest income, realized gains or losses from transactions involving securities and unrealized gains and losses arising from mark-to-market accounting practices applicable to the securities portfolio, which may include government bonds and private securities as well as repurchase agreements; (iii) net realized and unrealized gains from (a) trading of financial instruments for the purpose of mitigating risk, including swaps, forwards, futures, options and other derivatives, in accordance with the Bank's customers' needs; and (b) mark-to-market accounting practices applicable to such instruments; (iv) net gains from fluctuations of exchange rates related to positions in foreign currencies and commissions obtained from transactions involving the purchase and sale of foreign currencies; and (v) interest on mandatory deposits maintained at the Central Bank.

Furthermore, Banco BTG Pactual's financial income is affected by the realized and unrealized gains/losses of hedging instruments. These instruments are used to offset exchange rate effects on financial income itself and in other lines of the income statement. From January 1, 2017, we adopted net investment hedge of foreign operations. (see "—Critical Accounting Policies—Derivative Financial Instruments" above).

Banco BTG Pactual's financial expenses are composed primarily of expenses derived from: (i) interest expenses in connection with repurchase agreements on open market transactions and deposits; (ii) interest and fees paid on borrowings in Brazil and abroad, including borrowings from Brazilian governmental agencies such as BNDES, in which Banco BTG Pactual acts as agent; (iii) net realized and unrealized losses from (a) its trading of financial instruments for the purpose of mitigating risk, including swaps, forwards, futures, options and other derivatives; and (b) mark-to-market accounting practices applicable to such instruments; (iv) gains or losses on its short position of equities on the B3 Exchange; (v) interest expenses on secured funding obtained from its prime brokers; and (vi) allowance for loan losses made in accordance with its accounting practices and as determined by the requirements of Resolution No. 2,682.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Banco BTG Pactual's net financial income increased 68.5% from R\$1,732.9 million for the nine months ended September 30, 2018 to R\$2,920.3 million for the nine months ended September 30, 2019, mainly due to an increase in revenue from loans and derivative financial instruments and a decrease in borrowings and onlending expenses which were partially offset by an increase in funding operations expenses, as more fully described below.

Financial Income. Banco BTG Pactual's financial income increased 26.9%, from R\$7,208.9 million for the nine months ended September 30, 2018 to R\$9,149.2 million for the nine months ended September 30, 2019. This increase was due to the following factors:

Loans. Banco BTG Pactual's revenue from loans increased 45.2%, from R\$928.7 million for the nine months ended September 30, 2018 to R\$1,347.7 million for the nine months ended September 30, 2019, mainly due to a 36.6% increase in Banco BTG Pactual's loan portfolio, from an average balance of R\$15,910.4 million for the nine months ended September 30, 2018 to an average balance of R\$21,734.6 million for the nine months ended September 30, 2019 coupled with an increase in interest from loans denominated in U.S. dollars reflecting the

depreciation of the *real* against the U.S. dollar and an increase in U.S. dollar-denominated interest rate (LIBOR), which was partially off-set by a lower CDI rate during the period.

Securities. Banco BTG Pactual's revenue from securities increased 12.7%, from R\$4,281.1 million for the nine months ended September 30, 2018 to R\$4,823.7 million for the nine months ended September 30, 2019, mainly due to a 17.3% increase in the average balance of Banco BTG Pactual's total securities portfolio reflecting (i) an increase in the average balance of our Brazilian government bonds portfolio from R\$3,862.5 million for the nine months ended September 30, 2018 to R\$10,344.0 million for the nine months ended September 30, 2019 and (ii) to a lesser extent, an increase in the average balance of open market investments in Brazil from R\$39,209.0 million for the nine months ended September 30, 2018 to R\$40,160.5 million for the nine months ended September 30, 2019, all of which was partially off-set by a lower CDI rate during the period.

Derivative Financial Instruments. Banco BTG Pactual's revenue from derivative financial instruments increased 75.5%, from R\$1,659.3 million for the nine months ended September 30, 2018 to R\$2,911.9 million for the nine months ended September 30, 2019, mainly due to the positive impact of our long interest rate futures position that benefited from a decrease in Brazilian interest rates as well as our long equity futures position that benefited from the increase in value of the Bovespa index (IBOVESPA) for the nine months ended September 30, 2019, with limited corresponding impact for the nine months ended September 30, 2018.

Foreign Exchange. Pursuant to Brazilian GAAP, when Banco BTG Pactual incurs a loss from its foreign exchange instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its foreign exchange instruments, Banco BTG Pactual records such gain as financial income. For the nine months ended September 30, 2018, we recorded a foreign exchange gain of R\$270.9 million mainly due to an increase in revenues from U.S. Dollar spot instruments, and for the nine months ended September 30, 2019, we reported a foreign exchange loss of R\$415.2 million, mainly due to a more volatile market as compared to the same period of 2018 where there was a more stable trend of *real* depreciation.

Mandatory Investments. Banco BTG Pactual's revenue from mandatory investments, which are derived from its mandatory deposits placed with the Central Bank, decreased 5.0%, from R\$69.4 million for the nine months ended September 30, 2018 to R\$66.0 million for the nine months ended September 30, 2019, mainly due to a decrease of 5.3% in the daily average balance of mandatory investments, from R\$1,502.1 million for the nine months ended September 30, 2018 to R\$1,421.9 million for the nine months ended September 30, 2019.

Financial Expenses. Banco BTG Pactual's financial expenses increased 13.8%, from R\$5,457.9 million for the nine months ended September 30, 2018 to R\$6,228.9 million for the nine months ended September 30, 2019. This decrease was due to the following factors:

Funding Operations. Banco BTG Pactual's expenses from funding operations increased 17.2%, from R\$3,532.9 million for the nine months ended September 30, 2018 to R\$4,140.8 million for the nine months ended September 30, 2019, mainly as a result of (i) an increase in costs from securities issued reflecting both (A) a 43.3% increase in the average balance of our funds from securities issued and accepted, from R\$11,770.4 million for the nine months ended September 30, 2018 to R\$16,867.6 million for the nine months ended September 30, 2019 and (B) higher costs associated with such portfolio due to higher foreign interest rates, which was partially offset by a lower CDI in the period and (ii) an increase of 22.6% in the average balance of our CDB and CDI portfolios, from R\$17,549.1 million for the nine months ended September 30, 2018 to R\$21,513.4 million for the nine months ended September 30, 2019. These increases were also offset to a limited extent by a 3.7% decrease in our average repurchase agreement portfolio, from R\$46,682.9 million for the nine months ended September 30, 2018 to R\$44,970.2 million for the nine months ended September 30, 2019.

Borrowings and onlending. Banco BTG Pactual's expenses from borrowings and onlending decreased 27.5% from R\$1,906.9 million for the nine months ended September 30, 2018 to R\$1,382.4 million for the nine months ended September 30, 2019, mainly due to (i) a decrease of 11.0% in Banco BTG Pactual's average borrowings and onlending portfolio, from R\$5,154.8 million for the nine months ended September 30, 2018 to R\$4,589.8 million for the nine months ended September 30, 2019 and (ii) the impact of the decelerated depreciation of the *real* on our borrowings denominated in U.S. dollars considering that the *real* depreciated 22.5% during the nine months ended September 30, 2018, driving up costs associated with our U.S. dollar-denominated borrowings, as compared to only

7.8% depreciation during the nine months ended September 30, 2019, thus generating comparatively less foreign exchange costs.

Foreign Exchange. See explanation of “Foreign exchange” under “—Financial income” above. Pursuant to Brazilian GAAP, when Banco BTG Pactual incurs a gain from its foreign exchange instruments, it records such gain as a financial income, and when Banco BTG Pactual incurs a loss from its foreign exchange instruments, Banco BTG Pactual records such loss as financial expenses.

Derivative Financial Instruments. Pursuant to Brazilian GAAP, when Banco BTG Pactual incurs a loss from its derivative financial instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its derivative financial instruments, Banco BTG Pactual records such gain as financial income. See explanation of “Derivative Financial Instruments” under “—Financial Income” above.

Allowance for loan losses and other receivables. Banco BTG Pactual’s losses from allowance for loan losses and other receivables increased from a R\$36.1 million loss for the nine months ended September 30, 2018 to a R\$290.6 million loss for the nine months ended September 30, 2019, mainly due to increased provisions in connection with defaults by a waste disposal company as a consequence of its credit deterioration.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

Banco BTG Pactual’s net financial income decreased from R\$3,890.5 million in 2017 to R\$2,800.5 million in 2018, mainly due to the negative effect of the foreign exchange rate on borrowings denominated in U.S. dollars in 2018, as a result of the depreciation of the *real* against the U.S. dollar, with no corresponding effects in 2017.

Financial Income. Banco BTG Pactual’s financial income increased 3.9%, from R\$9,523.7 million in 2017 to R\$9,893.4 million in 2018. This increase was due to the following factors:

Loans. Banco BTG Pactual’s revenue from loans decreased 12.4%, from R\$1,529.7 million in 2017 to R\$1,339.5 million in 2018, mainly due to a decrease in the CDI rate from 9.93% per annum in 2017 to 6.40% per annum in 2018. This effect was partially offset by a 35.8% increase in our loan portfolio, from an average balance of R\$12,160.3 million in 2017 to an average balance of R\$16,507.9 million in 2018, as a result of our strategy of increasing our loan portfolio through balance sheet deployment.

Securities. Banco BTG Pactual’s revenue from securities increased 1.0%, from R\$5,873.3 million in 2017 to R\$5,934.1 million in 2018, mainly due to an increase in revenue from open market investments in Brazil, due to the increase in the average balance of such investments from R\$23,227.4 million in 2017 to R\$39,422.5 million in 2018, partially offset by lower gains in certain equities positions in 2018 as compared to 2017. As the securities transactions were mostly comprised of real-denominated transactions, foreign exchange rate variations had no material impact on our results.

Derivative Financial Instruments. Banco BTG Pactual’s revenue from derivative financial instruments increased 29.6%, from R\$1,596.7 million in 2017 to R\$2,069.9 million in 2018, mainly due to the positive impact of our long positions in forward contracts denominated in U.S. Dollars for 2018 with no corresponding impact for 2017.

Foreign Exchange. Banco BTG Pactual’s foreign exchange results decreased 15.6%, from R\$376.7 million in 2017 to R\$435.6 million in 2018, primarily due to a more volatile currency market, increasing our revenue from our positions.

Mandatory Investments. Banco BTG Pactual’s revenue from mandatory investments, which are derived from its mandatory deposits placed with the Central Bank, decreased 22.4%, from R\$147.4 million in 2017 to R\$114.4 million in 2018, mainly due to a decrease in the CDI rate from 9.93% in 2017 to 6.40% in 2018 partially offset by an increase of 18.7% in the daily average balance of the mandatory investments, from R\$1,514.6 million in 2017 to R\$1,797.2 million in 2018.

Financial Expenses. Banco BTG Pactual’s financial expenses increased 25.9%, from R\$5,633.2 million in 2017 to R\$7,092.9 million in 2018. This decrease was due to the following factors:

Funding Operations. Banco BTG Pactual's expenses from funding operations increased 2.8%, from R\$5,172.7 million in 2017 to R\$5,318.1 million in 2018, mainly as a result of: (i) an increase of 32.3% in the average balance of its funds from securities issued and accepted, from R\$9,295.5 million in 2017 to R\$12,295.6 million in 2018, (ii) a 119.5% increase in CDB and CDI average balance portfolios from R\$8,280.5 million in 2017 to R\$18,171.8 million in 2018. These impacts were partially offset by a decrease in the CDI rate from 9.93% in 2017 to 6.40% in 2018.

Borrowings and onlending. Banco BTG Pactual's losses from borrowings and onlending increased from a R\$567.3 million loss in 2017 to a R\$1,628.8 million loss in 2018 mainly due to (i) the negative effect of foreign exchange rates on borrowings denominated in U.S. dollars in 2018, as a result of the appreciation of the *real* against the U.S. dollar, corresponding to losses of R\$1,100.8 million in 2018 with no corresponding impact in 2017 and (ii) an increase of 28.1% in Banco BTG Pactual's average borrowings and onlending portfolio, from R\$3,994.5 million in 2017 to R\$5,117.8 million in 2018. These effects were partially offset by the impact of the CDI rate decrease, from an accumulated 9.93% for 2017 to an accumulated 6.40% in 2018, thus reducing expenses to the extent indexed to this rate.

Derivative Financial Instruments. See explanation of "Derivative Financial Instruments" under "—Financial Income" above. Pursuant to Brazilian GAAP, when Banco BTG Pactual incurs a loss from its derivative financial instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its derivative financial instruments, Banco BTG Pactual records such gain as financial income.

Allowance for loan losses and other receivables. Banco BTG Pactual's results from allowance for loan losses and other receivables varied from a R\$106.8 million gain in 2017 to a R\$146.1 million loss in 2018. Such variation was mainly due to (i) significant gains of R\$393.1 million related to credit recovery operations in 2017, with no corresponding impact in 2018, and (ii) higher provisions in 2018 mainly due to the worsening of the credit worthiness of a waste disposal company which we understand is seeking to implement an operational turnaround process.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

Banco BTG Pactual's net financial income decreased from R\$6,808.5 million in 2016 to R\$3,890.5 million in 2017, mainly due to (i) the positive impact of financial income from Engelhart CTP and BSI in 2016, contributing R\$853.7 million and R\$874.1 million, respectively, in net financial income during the year, while in 2017, Banco BTG Pactual's remaining share of Engelhart CTP (after the spin-off in October 2016) and the results of BSI (after sale to EFG in November 2016) are accounted for solely as equity in the earnings of associates and, therefore, no longer impact our net financial income line items (See "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations" above) and (ii) the positive impact of the hedge instruments related to foreign subsidiaries and associates denominated mainly in U.S. Dollars in 2016 compared to no impact of such instruments in 2017 considering the change in accounting practice for hedge accounting (see "—Critical Accounting Policies—Derivative Financial Instruments" above).

Financial Income. Banco BTG Pactual's financial income decreased 29.2%, from R\$13,451.1 million in 2016 to R\$9,523.7 million in 2017. This decrease was due to the following factors:

Loans. Banco BTG Pactual's revenue from loans decreased 15.5%, from R\$1,809.4 million in 2016 to R\$1,529.7 million in 2017, mainly due to a 65.0% decrease in its loan portfolio, from an average balance of R\$34,785.9 million in 2016 to an average balance of R\$12,160.3 million in 2017, reflecting mainly the impact of the BSI sale. In 2016, BSI contributed R\$413.1 million in revenue from loans, with no corresponding impact in 2017. Excluding the effects of BSI, the average balance of Banco BTG Pactual's loan portfolio increased 8.1% in 2017 from R\$11,254.1 million in 2016 to R\$12,160.3 million in 2017. The BSI loan portfolio had lower spreads than Banco BTG Pactual's Brazilian loan portfolio, in line with Swiss interest rates, and therefore the decrease in total revenue was partially offset by a higher average spread in 2017.

Securities. Banco BTG Pactual's revenue from securities increased 18.2%, from R\$4,969.8 million in 2016 to R\$5,873.3 million in 2017, mainly due to: (i) the negative impact in 2016 of the foreign exchange effect on our assets denominated in U.S. dollars as a result of the appreciation of the *real* against the U.S. dollar that year compared to no comparable effect on those assets in 2017 reflecting a change in the presentation of our financial

statements pursuant to which foreign exchange variations on investments abroad are now distributed in fair value adjustments in shareholders' equity (see Note 3(b) to our audited consolidated financial statements as of and for the year ended December 31, 2017 and 2016 included elsewhere in this Offering Memorandum); (ii) an increase in revenue from open market investments in Brazil, due to the increase in the average balance of such investments from R\$19,899.6 million in 2016 to R\$23,227.4 million in 2017; and (iii) higher gains in certain equities positions in 2017 compared to 2016. These effects were partially offset by the impact of the BSI sale and commodities spin-off pursuant to which Banco BTG Pactual recorded R\$359.6 million in revenue from securities traded via BSI entities and R\$318.6 million in revenue from securities traded via Engelhart CTP entities in 2016, with no corresponding revenue during 2017.

Derivative Financial Instruments. Banco BTG Pactual's revenue from derivative financial instruments decreased 61.6%, from R\$4,161.8 million in 2016 to R\$1,596.7 million in 2017, mainly due to (i) a positive impact from hedge instruments related to foreign associates and subsidiaries denominated mainly in U.S. Dollars in 2016 as a result of the appreciation of the *real* against the U.S. dollar, compared to no such impact in 2017 due to the adoption of net investment hedge of foreign operations and (ii) the positive contribution of R\$484.9 million in revenue derived from commodities linked derivatives from Engelhart CTP, with no corresponding effect in 2017 following the commodities spin-off.

Foreign Exchange. Banco BTG Pactual's foreign exchange results decreased 83.7%, from R\$2,308.0 million in 2016 to R\$376.7 million in 2017, primarily due to (i) a less volatile currency market reducing our revenue from our hedge positions and (ii) the impact of BSI and Engelhart CTP revenue in 2016, which contributed R\$203.0 million and R\$113.7 million, respectively, in revenue, with no corresponding in 2017.

Mandatory Investments. Banco BTG Pactual's revenue from mandatory investments, which are derived from its mandatory deposits placed with the Central Bank, decreased 27.1%, from R\$202.1 million in 2016 to R\$147.4 million in 2017, mainly due to a decrease in the CDI rate from 14.00% in 2016 to 9.93% in 2017, and a decrease of 1.9% in the daily average balance of the mandatory investments, from R\$1,543.2 million in 2016 to R\$1,514.6 million in 2017.

Financial Expenses. Banco BTG Pactual's financial expenses decreased 15.2%, from R\$6,642.6 million in 2016 to R\$5,633.2 million in 2017. This decrease was due to the following factors:

Funding Operations. Banco BTG Pactual's expenses from funding operations decreased 27.3%, from R\$7,111.4 million in 2016 to R\$5,172.7 million in 2017, mainly as a result of: (i) a decrease of 35.7% in the average balance of its funds from securities issued and accepted, from R\$14,451.9 million in 2016 to R\$9,295.5 million in 2017, (ii) a 41.5% decrease in CDB and CDI average balance portfolios from R\$14,156.5 million in 2016 to R\$8,280.5 million in 2017, (iii) R\$24.1 million in expenses from funding operations from BSI in 2016, with no corresponding expense in 2017 and (iv) the impact of the CDI rate decrease, from 14.00% in 2016 to 9.93% in 2017, thus reducing expenses to the extent indexed to this rate. These decreases were partially offset by an increase of 39.7% in our average repurchase agreement portfolio from R\$21,595.5 million in 2016 to R\$30,167.9 million in 2017 and corresponding expenses in relation thereto.

Borrowings and onlending. Banco BTG Pactual's results from borrowings and onlending varied from a R\$565.8 million gain in 2016 to a R\$567.3 million loss in 2017 mainly due to the positive effect from foreign exchange on borrowings denominated in U.S. dollars in 2016, as a result of the appreciation of the *real* against the U.S. dollar, corresponding to gains of R\$1,414.8 million in 2016 with no corresponding gains in 2017. This effect was partially offset by lower expenses related to negative mark-to-market adjustments of Banco BTG Pactual's equity short positions traded on the B3 Exchange, which generated losses of R\$206.9 million in 2017, compared to losses of R\$496.2 million in 2016. To a lesser extent, this variation was also offset by the BSI sale and spin-off of Engelhart CTP, with BSI and Engelhart CTP generating R\$86.7 million and R\$32.8 million, respectively, in borrowing and onlending expenses in 2016, with no corresponding impact in 2017.

Derivative Financial Instruments. See explanation of "Derivative Financial Instruments" under "—Financial Income" above. Pursuant to Brazilian GAAP, when Banco BTG Pactual incurs a loss from its derivative financial instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its derivative financial instruments, Banco BTG Pactual records such gain as financial income.

Allowance for loan losses and other receivables. Banco BTG Pactual's results from allowance for loan losses and other receivables varied from a R\$97.0 million expense in 2016 to a R\$106.8 million gain in 2017. Such variation was mainly due to (i) significant gains of R\$393.1 million related to credit recovery operations, (ii) higher provisions in 2016 due to an increase in past due payments primarily from certain utility company borrowers, and (iii) to a lesser extent, by the impact the spin-off of Engelhart CTP, which generated expenses from allowance for loan losses of R\$36.9 million in 2016, with no similar effect in 2017. These effects were partially offset by the impact of a gain of R\$88.1 million related to the reversal of provisions at BSI in 2016, with no corresponding impact in 2017.

Other Operating Income

The table below shows the composition of Banco BTG Pactual's other operating income for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		
	2016	2017	2018	2018	2019	2019
	(in R\$ millions)			(in R\$ millions)		
						(in US\$ millions)
Income from services rendered.....	2,697.8	1,597.0	2,171.7	1,539.6	2,172.6	521.7
Personnel expenses.....	(1,676.6)	(648.9)	(776.8)	(574.2)	(602.2)	(144.6)
Other administrative expenses.....	(2,134.8)	(2,679.7)	(1,212.5)	(888.0)	(949.0)	(227.9)
Tax charges	(556.1)	(240.7)	(296.3)	(203.2)	(303.1)	(72.8)
Equity in the earnings of associates and jointly controlled entities.....	(794.0)	4.8	36.5	(71.5)	826.5	198.5
Other operating income	1,266.8	895.5	589.7	727.9	251.5	60.4
Other operating expenses	(1,357.1)	(1,045.4)	(303.8)	(413.6)	(277.5)	(66.6)
Other operating income	(2,554.1)	(2,117.4)	208.6	117.0	1,118.9	268.7

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00.

The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		
	2016	2017	2018	2018	2019	2019
	(in R\$ millions)			(in R\$ millions)		
						(in US\$ millions)
Management and performance fee from investment funds and portfolio.....	1,157.6	569.0	849.6	525.9	701.7	168.5
Underwriting and advisory fees ⁽¹⁾	830.5	610.4	840.2	653.1	1,022.6	245.6
Other services ⁽²⁾	709.6	417.6	481.9	360.5	448.3	107.7
Income from services rendered	2,697.8	1,597.0	2,171.7	1,539.6	2,172.6	521.7

(1) Underwriting and advisory fees include professional services and commission on the placement of securities.

(2) Other services include brokerage fees and other fees and commissions in connection with credit instruments issued by us, such as loans and letter of credit guarantees, among others.

(3) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2019 for *reais* into U.S. dollars of R\$4.1644 to US\$1.00

Banco BTG Pactual's personnel expenses consist of salaries, benefits (such as health insurance) and other payments made to its personnel on its payroll.

Banco BTG Pactual's other administrative expenses include costs for occupancy and rental, communications, information services, travel, presentations, conferences, professional fees, depreciation and other general operating expenses.

Banco BTG Pactual's tax charges include several different taxes. Most of the tax charges are applicable to revenue generated in Brazil. Financial income generated by Banco BTG Pactual's Brazilian entities is subject to the PIS and the COFINS. In addition, Banco BTG Pactual's fee income generated from services rendered is subject to the payment of ISS, at rates that vary in each of the municipalities in which Banco BTG Pactual's Brazilian offices are located and, also, according to type of service rendered. In general, ISS taxes range is from 2% to 5%. The current tax rates of PIS and COFINS applicable to Banco BTG Pactual are, respectively, 0.65% and 4.0% for Brazilian entities that are deemed financial institutions, and 1.65% and 7.6% for Brazilian entities that are deemed non-financial institutions.

Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities consists of its proportional share of net income or net losses from companies in which it holds a minority or a co-controlling equity stake, including (i) Banco PAN, (ii) Too Seguros (formerly known as Pan Seguros), (iii) Pan Corretora, (iv) Maybrooke (from 2015 and through February 2017), (v) Engelhart CTP (from September 2016, reflecting Banco BTG Pactual's remaining interest in its spun-off commodities operations and until September 30, 2019 with the transfer of Neoport to BTG Pactual Holding, see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations” above), (vi) EFG (from September 2016, reflecting Banco BTG Pactual's stake in the entity to which it sold BSI) and (vii) BTG Pactual Holding S.à r.l., Banco BTG Pactual's investment vehicle through which it operates the PetroAfrica joint venture with Petrobras for oil and gas exploration in Africa, including, in the case of investments denominated in currencies other than the *real*, the foreign exchange effects of such investments.

Banco BTG Pactual's other operating income consists of: (i) adjustments for inflation on judicial deposits; (ii) the reversal of certain of its provisions, including for contingencies and employees' profit-sharing; (iii) fair value of investment properties for sale from its real estate operations which are consolidated companies; (iv) gains of exchange rate variations on certain of its assets and liabilities denominated in U.S. dollars, including management and performance fees that it receives from its funds abroad and amounts receivable or payable; and (v) monetary adjustments on receivables.

Banco BTG Pactual's other operating expenses are primarily composed of: (i) the effect of exchange rate variations on certain of its assets and liabilities denominated in U.S. dollars, including management and performance fees that it receives from its funds abroad and amounts receivable or payable; (ii) goodwill amortization; (iii) interest charges in connection with deferred payment obligations from the acquisition of certain investments, primarily Banco PAN, the outstanding balance of which shall be paid by July 31, 2028; and (iv) interest expenses on adjustment of inflation on tax liabilities.

Nine Months Ended September 30, 2019 versus Nine Months ended September 30, 2018

Banco BTG Pactual's other operating income varied from an income of R\$117.0 million for the nine months ended September 30, 2018 to an income of R\$1,118.9 million for the nine months ended September 30, 2019.

Income from services rendered. The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

	For the nine months ended September 30,				
(Unaudited)	2018	% of total	2019	% of total	Variation (%)
	(in R\$ millions, except percentages)				
Management and performance fee from investment funds and portfolio...	525.9	34.2%	701.7	32.3%	33.4%
Underwriting and advisory fees ⁽¹⁾	653.1	42.4%	1,022.6	47.1%	56.6%
Other services ⁽²⁾	360.5	23.4%	448.3	20.6%	24.4%
Income from services rendered	1,539.6	100.0%	2,172.6	100.0%	41.1%

(1) Underwriting and advisory fees include professional services and commission on the placement of securities.

(2) Other services include brokerage fees and other fees and commissions in connection with credit instruments issued by us, such as loans and letter of credit guarantees, among others.

Banco BTG Pactual's income from services rendered increased from R\$1,539.6 million for the nine months ended September 30, 2018 to R\$2,172.6 million for the nine months ended September 30, 2019, driven primarily by the increase in underwriting and advisory fees and in management and performance fees from investment funds and portfolio, as more fully described below.

Underwriting and advisory fees. Banco BTG Pactual's revenue from underwriting and advisory fees increased 56.6%, from R\$653.1 million for the nine months ended September 30, 2018 to R\$1,022.6 million for the nine months ended September 30, 2019 mainly due to stronger activity in debt and equity capital market transactions. In addition, there was an increase in fees collected with respect to financial advisory transactions.

Management and performance fee from investment funds and portfolio. Banco BTG Pactual's income from management and performance fee from investment funds and portfolio increased 33.4%, from R\$525.9 million for the nine months ended September 30, 2018 to R\$701.7 million for the nine months ended September 30, 2019. This increase was mainly due to: (i) an increase of 36.0% in AUM and AUA, from an average of R\$165.8 billion for the nine months ended September 30, 2018 to an average of R\$225.5 billion for the nine months ended September 30, 2019 and (ii) an increase in our collection of performance fees during the nine months ended September 30, 2019 whereas we did not collect a significant amount from performance fees during the same period of 2018.

Other services. Banco BTG Pactual's revenue from other services increased 24.4%, from R\$360.5 million for the nine months ended September 30, 2018 to R\$448.3 million for the nine months ended September 30, 2019. This increase was mainly due to an increase in brokerage revenue.

Personnel expenses. Banco BTG Pactual's personnel expenses increased 4.9%, from R\$574.2 million for the nine months ended September 30, 2018 to R\$602.2 million for the nine months ended September 30, 2019, mainly due to an increase of 5.0% in the average annual salary adjustment for employees pursuant to the terms of the annual union agreement that is renegotiated annually and an increase in the number of employees.

Other administrative expenses. Banco BTG Pactual's other administrative expenses increased 6.9%, from R\$888.0 million for the nine months ended September 30, 2018 to R\$949.0 million for the nine months ended September 30, 2019, mainly due to an increase in outsourcing and consulting services, telecommunication services and data processing fees.

Tax charges. Banco BTG Pactual's tax charges increased 49.2%, from R\$203.2 million for the nine months ended September 30, 2018 to R\$303.1 million for the nine months ended September 30, 2019. The increase in tax charges was mainly due to the 41.1% increase in income from services rendered, which is subject to ISS service tax, and an overall increase in revenues, especially financial income, which is subject to both PIS and COFINS.

Equity in the earnings of associates and jointly-controlled entities. Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities varied from a loss of R\$71.5 million for the nine months ended September 30, 2018 to a gain of R\$826.5 million for the nine months ended September 30, 2019.

For the nine months ended September 30, 2019, Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities was mainly affected by the positive impact of equity pick-up from: (i) EFG, corresponding to a gain of R\$61.8 million; (ii) Engelhart CTP, corresponding to a gain of R\$13.9 million; (iii) BTG Pactual Holding S.à r.l, corresponding to a gain of R\$552.7 million, reflecting the results of PetroAfrica; (iv) Banco PAN, corresponding to a gain of R\$267.6 million; and (v) Pan Seguros, corresponding to a gain of R\$15.0 million. Such gains were partially offset by the negative impact of goodwill amortization from EFG, corresponding to losses of R\$102.0 million.

For the nine months ended September 30, 2018, Banco BTG Pactual's equity in earnings of associates and jointly-controlled entities was mainly affected by the negative impact of: (i) the equity pick-up and goodwill amortization from EFG, corresponding to losses of R\$29.4 million and R\$98.8 million, respectively and (ii) equity pick-up from Engelhart CTP, corresponding to a loss of R\$37.3 million. These losses were partially offset by the (i) R\$75.1 million positive impact of equity pick-up from Banco PAN and (ii) R\$17.8 million positive impact of equity pick-up from Pan Seguros. During the nine months ended September 30, 2018, PetroAfrica was treated as "securities held for sale" in view of the proposed sale of our stake in this joint venture which ultimately did not occur and, accordingly, we did not realize any equity pick-up from this asset during that period.

Other operating income. Banco BTG Pactual's other operating income decreased 65.4%, from R\$727.9 million for the nine months ended September 30, 2018 to R\$251.5 million for the nine months ended September 30, 2019, mainly due to (i) an 83.9% decrease in reversal of litigation provisions from R\$280.3 million during the nine months ended September 30, 2018 to R\$45.2 million during the nine months ended September 30, 2019, and (ii) a decrease of 66.7% in revenue from foreign exchange variation as the foreign exchange rate depreciated significantly less during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.

Other operating expenses. Banco BTG Pactual's other operating expenses decreased 32.9%, from R\$413.6 million for the nine months ended September 30, 2018 to R\$277.5 million for the nine months ended September 30, 2019, mainly due to a 63.9% decrease in revenue with foreign exchange variation as the foreign exchange rate depreciated significantly less during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

Banco BTG Pactual's other operating expenses varied from a R\$2,117.4 million loss in 2017, to R\$208.6 million gain in 2018.

Income from services rendered. The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

(Unaudited)	For the year ended December 31,				
	2017	% of total	2018	% of total	Variation (%)
	(in R\$ millions, except percentages)				
Management and performance fee from investment funds and portfolio.....	569.0	35.6%	849.6	39.1%	49.3%
Underwriting and advisory fees ⁽¹⁾	610.4	38.2%	840.2	38.7%	37.7%
Other services ⁽²⁾	417.6	26.1%	481.9	22.2%	15.4%
Income from services rendered	1,597.0	100.0%	2,171.7	100.0%	36.0%

(1) Underwriting and advisory fees include professional services and commission on the placement of securities.

(2) Other services include brokerage fees and other fees and commissions in connection with credit instruments issued by us, such as loans and letter of credit guarantees, among others.

Banco BTG Pactual's income from services rendered increased from R\$1,597.0 million in 2017 to R\$2,171.7 million in 2018, driven primarily by the increase in underwriting and advisory fees and in management and performance fees from investment funds and portfolio, as more fully described below.

Management and performance fee from investment funds and portfolio. Banco BTG Pactual's income from management and performance fee from investment funds and portfolio increased 49.3%, from R\$569.0 million in 2017 to R\$849.6 million in 2018.

This increase was mainly due to an increase of 43.2% in AUM and AUA, from R\$144.9 billion as of December 31, 2017 to R\$207.5 billion as of December 31, 2018. In addition, the performance of certain Banco BTG Pactual's funds against market benchmarks in 2018 was better than in 2017, with a consequential positive impact on performance fee revenue.

Underwriting and advisory fees. Banco BTG Pactual's revenue from underwriting and advisory fees increased 37.7%, from R\$610.4 million in 2017 to R\$840.2 million in 2018 mainly due to a stronger activity in financial advisory transactions, with a higher volume of transactions being closed in the period. In addition, there was an increase in fees collected with respect to debt and equity capital market transactions.

Other services. Banco BTG Pactual's revenue from other services increased 15.4%, from R\$417.6 million in 2017 to R\$481.9 million in 2018. This increase was mainly due to a 39.8% increase in brokerage revenue.

Personnel expenses. Banco BTG Pactual's personnel expenses increased 19.7%, from R\$648.9 million in 2017 to R\$776.8 million in 2018, mainly due to an average annual salary adjustment of 2.75% in both 2017 and 2018 for employees pursuant to the terms of the union agreement that is renegotiated annually and an increase in total headcount from 2,037 employees as of December 31, 2017 to 2,252 employees as of December 31, 2018, as a result of organic growth, including the launch of BTG Pactual Digital.

Other administrative expenses. Banco BTG Pactual's other administrative expenses decreased 54.8%, from R\$2,679.7 million in 2017 to R\$1,212.5 million in 2018, mainly due to a R\$1,632.4 million expense in 2017 related to Banco BTG Pactual's participation in a special tax regularization program (PERT), corresponding mainly to fines and interest payments in relation to tax disputes settled through the program, which expense was offset in the "Income tax and social contribution" line reflecting gains recorded in relation to the recognition of off-balance tax loss carryforwards, which we were able to apply in settling tax debt through the PERT program. For more information regarding our participation in the PERT program, see "Business—Legal Matters—Tax Proceedings." If the effect of this expense in 2017 is disregarded, other administrative expenses otherwise increased in 2018, mainly due the Banco BTG Pactual Digital initiative.

Tax charges. Banco BTG Pactual's tax charges increased 23.1%, from R\$240.7 million in 2017 to R\$296.3 million in 2018. The increase in tax charges was mainly due to an increase in revenue from services, which are subject to higher taxation.

Equity in the earnings of associates and jointly-controlled entities. Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities increased from a gain of R\$4.8 million in 2017 to a gain of R\$36.5 million in 2018.

In 2018, Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities was mainly affected by: (i) the positive impact of equity pick-up from BTG Pactual Holding S.à r.l investment, corresponding to a gain of R\$192.0 million, reflecting results from PetroAfrica; (ii) the R\$13.3 million positive impact of equity pick-up from Pan Corretora and Too Seguros (formerly known as Pan Seguros); and (iii) the R\$111.4 million positive impact of equity pick-up from Banco PAN, which recorded profits due to stable financial margins, cost reductions and recognition of deferred tax assets. These effects were partially offset by (i) losses of R\$113.5 million from Engelhart CTP, (ii) R\$29.4 million negative impact of equity pick-up from EFG and the R\$132.1 million goodwill amortization of EFG.

In 2017, Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities was mainly affected by: (i) the positive impact of an equity pick-up of BTG Pactual Holding S.à r.l, corresponding to a gain of R\$79.0 million, reflecting the results of PetroAfrica; (ii) the R\$19.2 million positive impact of an equity pick-up of EFG; (iii) the R\$32.0 million positive impact of an equity pick-up of Pan Corretora and Too Seguros (formerly known as Pan Seguros); (iv) the R\$11.7 million positive impact of an equity pick-up of Maybrooke; and (v) the R\$85.2 million positive impact of an equity pick-up of Banco PAN, which recorded profits due to stable

financial margins, cost reductions and recognition of deferred tax assets. These effects were partially offset by losses of R\$116.4 million from Engelhart CTP and the R\$107.6 million goodwill amortization of EFG.

Other operating income. Banco BTG Pactual's other operating income decreased 34.1%, from R\$895.5 million in 2017 to R\$589.7 million in 2018, due to: (i) a lower adjustment to inflation of judicial deposits in line with the decrease in inflation rate in 2018 compared to 2017 and (ii) the positive impact of gains from insurance contracts in foreign currencies, such as the U.S. dollar, relating to our insurance operations in Chile by our company BTG Life, with no corresponding impact in 2018.

Other operating expenses. Banco BTG Pactual's other operating expenses decreased 70.9%, from R\$1,045.4 million in 2017 to R\$303.8 million in 2018, mainly due to: (i) a R\$166.0 million goodwill amortization of Celfin in 2017, with no corresponding amortization in 2018 as the period for the amortization of the goodwill arising from the acquisition of Celfin ended in 2017; (ii) a lower adjustment to inflation of payables in line with the decrease in the inflation rate; and (iii) the negative impact of inflation rate-adjusted contracts with certain suppliers of BTG Life, our Chilean insurance business, with no corresponding negative impact in 2018 as the inflation rate decreased in 2018 which resulted in reduced expenses in 2018.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

Banco BTG Pactual's other operating expenses decreased from R\$2,554.1 million in 2016, to R\$2,117.4 million in 2017.

Income from services rendered. The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

(Unaudited)	For the year ended December 31,				
	2016	% of total	2017	% of total	Variation (%)
	(in R\$ millions, except percentages)				
Management and performance fee from investment funds and portfolio.....	1,157.6	42.9%	569.0	35.6%	(50.8%)
Underwriting and advisory fees ⁽¹⁾	830.5	30.8%	610.4	38.2%	(26.5%)
Other services ⁽²⁾	709.6	26.3%	417.6	26.1%	(41.1%)
Income from services rendered	2,697.8	100.0%	1,597.0	100.0%	(40.8%)

(1) Underwriting and advisory fees include professional services and commission on the placement of securities.

(2) Other services include brokerage fees and other fees and commissions in connection with credit instruments issued by us, such as loans and letter of credit guarantees, among others.

Banco BTG Pactual's income from services rendered decreased from R\$2,697.8 million in 2016 to R\$1,597.0 million in 2017, driven primarily by the sale of BSI which contributed R\$1,145.5 million in income from services rendered in 2016, with no corresponding income in 2017.

Management and performance fee from investment funds and portfolio. Banco BTG Pactual's income from management and performance fee from investment funds and portfolio decreased 50.8%, from R\$1,157.6 million in 2016 to R\$569.0 million in 2017. This decrease was mainly due to the sale of BSI. BSI contributed R\$490.4 million in revenue from management and performance fees in 2016, with no corresponding revenue in 2017 as a result of the sale of BSI to EFG. In addition, the performance of certain Banco BTG Pactual's funds against market benchmarks in 2017 were worse than in 2016, with a consequent negative impact on performance fee revenue.

Underwriting and advisory fees. Banco BTG Pactual's revenue from underwriting and advisory fees decreased 26.5%, from R\$830.5 million in 2016 to R\$610.4 million in 2017 mainly due to the sale of BSI. BSI contributed R\$355.2 million in revenue in underwriting and advisory fees in 2016, with no corresponding revenue in 2017 as a result of the sale of BSI to EFG. Excluding the impact of BSI, underwriting and advisory fees slightly increased due to an acceleration in investment activities.

Other services. Banco BTG Pactual's revenue from other services decreased 41.1%, from R\$709.6 million in 2016 to R\$417.6 million in 2017. This decrease was mainly due to lower revenue from brokerage transactions in 2017 compared to 2016 as a direct effect of the sale of BSI. Excluding the impact of BSI, other service fees increased 12.9%, from R\$370.0 million in 2016 to R\$417.6 million in 2017.

Personnel expenses. Banco BTG Pactual's personnel expenses decreased 61.3%, from R\$1,676.6 million in 2016 to R\$648.9 million in 2017, mainly due to (i) the impact of the BSI sale and commodities spin-off, given that BSI generated personnel expenses of R\$730.4 million and the commodities business generated personnel expenses of R\$242.8 million in 2016, with no corresponding costs and expenses during 2017 and (ii) the impact of Banco BTG Pactual's cost reduction program, which was fully implemented at the end of 2016. These effects were partially offset by average annual salary adjustment of 8% in September 2016 and 2.73% in September 2017 for employees pursuant to the terms of the union agreement that is renegotiated annually.

Other administrative expenses. Banco BTG Pactual's other administrative expenses increased 25.5%, from R\$2,134.8 million in 2016 to R\$2,679.7 million in 2017, mainly due to a R\$1,632.4 million expense related to Banco BTG Pactual's participation in a special tax regularization program (PERT), corresponding mainly to fines and interest payments in relation to tax disputes settled through the program, which expense was offset in the "Income tax and social contribution" line reflecting gains recorded in relation to the recognition of off-balance tax loss carryforwards, which we were able to apply in settling tax debt through the PERT program. For more information regarding our participation in the PERT program, see "Business—Legal Matters—Tax Proceedings." Eliminating this effect, other administrative expenses otherwise decreased mainly due the impact of the BSI sale and commodities spin-off and corresponding reduction of outsourced, consulting and financial services and depreciation and amortization costs. In 2016, BSI and the commodities business generated other administrative expenses of R\$890.8 million and R\$334.0 million, respectively, with no corresponding costs and expenses in 2017.

Tax charges. Banco BTG Pactual's tax charges decreased 56.7%, from R\$556.1 million in 2016 to R\$240.7 million in 2017. The decrease in tax charges was mainly due to the impact of the gains in the hedge instruments that are subject to taxation in 2016, compared to no similar impact in 2017 when we adopted hedge accounting. The decrease in Banco BTG Pactual's tax charges was impacted to a lesser extent by the sale of BSI and the spin-off of its commodities business, which generated tax charges of R\$24.4 million and R\$3.7 million, respectively, in 2016 with no corresponding costs and expenses in 2017.

Equity in the earnings of associates and jointly-controlled entities. Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities varied from a loss of R\$794.0 million in 2016 to a gain of R\$4.8 million in 2017.

In 2017, Banco BTG Pactual's equity in the earnings of associates and jointly-controlled entities was mainly affected by: (i) the positive impact of equity pick-up from BTG Pactual Holding S.à r.l investment, corresponding to a gain of R\$79.0 million, reflecting results from PetroAfrica; (ii) the R\$19.2 million positive impact of equity pick-up from EFG; (iii) the R\$32.0 million positive impact of equity pick-up from Pan Corretora and Too Seguros (formerly known as Pan Seguros); (iv) the R\$11.7 million positive impact of equity pick-up from Maybrooke; and (v) the R\$85.2 million positive impact of equity pick-up from Banco PAN, which recorded profits due to stable financial margins, cost reductions and recognition of deferred tax assets. These effects were partially offset by losses of R\$116.4 million from Engelhart CTP and the R\$107.6 million goodwill amortization of EFG.

In 2016, Banco BTG Pactual's equity in earnings of associates and jointly-controlled entities was mainly affected by: (i) the R\$797.4 million negative impact of appreciation of the *real* against the U.S. dollar in the BTG Pactual Holding S.à r.l investment, which was denominated in U.S. dollars; (ii) R\$95.7 million in equity pick-up losses from Banco PAN and (iii) R\$101.3 million in equity pick-up losses from Maybrooke. These impacts were partially offset by the positive impact of the results of PetroAfrica, despite the negative foreign exchange impact, corresponding to gains of R\$277.8 million.

Other operating income. Banco BTG Pactual's other operating income decreased 29.3%, from R\$1,266.8 million in 2016 to R\$895.5 million in 2017, due to: (i) a lower adjustment to inflation of judicial deposits in line with the decrease in the inflation rate; (ii) the elimination of income from our commodities business, which had generated other operating income of R\$120.6 million in 2016 and, to a lesser extent; and (iii) the elimination of income from BSI, which had generated other operating income of R\$90.2 million in 2016.

Other operating expenses. Banco BTG Pactual's other operating expenses decreased 23.0%, from R\$1,357.1 million in 2016 to R\$1,045.4 million in 2017, mainly due to: (i) the elimination of expenses from our commodities business, which had generated other operating expenses of R\$233.7 million in 2016 and (ii) to a lesser extent, the impact of the exchange rate variation that generated expenses of R\$458.1 million in 2016 compared with R\$193.5 million in 2017.

Non-operating Income

Banco BTG Pactual's non-operating income consists of income (expenses) resulting from non-recurring items or transactions not related to its core business.

Nine Months Ended September 30, 2019 versus Nine Months ended September 30, 2018

Banco BTG Pactual's non-operating income decreased from R\$141.0 million for the nine months ended September 30, 2018 to R\$27.6 million for the nine months ended September 30, 2019.

For the nine months ended September 30, 2018, non-operating income was mostly impacted by revenue recorded in connection with the recovery of a credit warranty in relation to our non-performing loans business. For the nine months ended September 30, 2019, non-operating income was mostly impacted by revenue recorded in connection with the exercise of the option held by CaixaPar to acquire 50% of the shares of Banco PAN subscribed by Banco BTG Pactual on November 6, 2017.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

Banco BTG Pactual's non-operating income increased from a gain of R\$4.7 million in 2017 to a gain of R\$137.8 million in 2018.

In 2017, there were no relevant items accounted for as non-operating income.

In 2018, non-operating income was mostly impacted by revenue recorded in connection with the recovery of a credit warranty in relation to our non-performing loans business.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

Banco BTG Pactual's non-operating income varied from a gain of R\$940.1 million in 2016 to a loss of R\$4.7 million in 2017.

In 2016, non-operating income was mostly impacted by (i) a reversal of R\$570.9 million on fair value adjustments of the receivables from the sale of Thor Comercializadora after its repurchase by Banco BTG Pactual and (ii) R\$300.9 million in gains related to the sale of BSI's remaining equity interest, in B-Source, a business process outsourcer, with no relevant results accounted as non-operating income in 2017.

Income Before Taxation and Profit Sharing

As a result of the foregoing, Banco BTG Pactual's income before taxation and profit sharing: (i) increased 104.3% from R\$1,991.0 million for the nine months ended September 30, 2018 to R\$4,066.8 million for the nine months ended September 30, 2019; (ii) increased 77.0% from R\$1,777.9 million in 2017 to R\$3,146.9 million in 2018; and (iii) decreased 65.8% from R\$5,194.5 million in 2016 to R\$1,777.9 million in 2017.

Income Tax and Social Contribution

Banco BTG Pactual's income tax and social contribution are recorded under current or deferred liabilities. Banco BTG Pactual's effective tax rate was 4.9%, (72.4%) and 21.4% in 2018, 2017 and 2016, respectively, and 16.1% and (8.3)% for the nine months ended September 30, 2019 and 2018, respectively. Banco BTG Pactual's effective tax rate is calculated as its total income tax and social contribution divided by income before taxation and profit sharing. The variations in Banco BTG Pactual's effective tax rate result mainly from changes in the amount of interest on equity, which can be treated as a tax deductible expense. See "—Critical Accounting Policies—Income Tax and Social Contribution" above and "—Interest on Equity" below.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Banco BTG Pactual's income tax and social contribution varied from a gain of R\$165.5 million for the nine months ended September 30, 2018 to a loss of R\$653.1 million for the nine months ended September 30, 2019. This variation was mainly due to (i) a more favorable revenue mix for the nine months ended September 30, 2018 as compared to the same period in 2019, (ii) the positive impact of foreign exchange depreciation on foreign deferred tax assets for the nine months ended September 30, 2018 with little impact for the nine months ended September 30, 2019 and (iii) the more significant impact of the interest on equity tax deduction for the nine months ended September 30, 2018 as earnings before tax for that period were 51% lower as compared to the same period in 2019.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

Banco BTG Pactual's income tax and social contribution varied from a gain of R\$1,287.2 million in 2017 to a loss of R\$152.9 million in 2018. This increase was mainly due to the recognition of off-balance deferred tax assets in the amount of R\$1,009.7 million in connection with Banco BTG Pactual's participation in the PERT tax regularization program.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

Banco BTG Pactual's income tax and social contribution varied from an expense of R\$1,112.9 million in 2016 to a gain of R\$1,287.2 million in 2017. This increase was mainly due to the recognition of off-balance deferred tax assets in the amount of R\$1,009.7 million in connection with Banco BTG Pactual's participation in the PERT tax regularization program. These effects were partially offset by the spin-off of Banco BTG Pactual's commodities business which generated a gain of R\$46.4 million in income tax and social contribution in 2016.

Statutory Profit Sharing

Statutory profit sharing consists mainly of the discretionary cash bonuses that Banco BTG Pactual distributes to all of its employees, and that are calculated as a percentage of its annual revenue, net of costs and expenses incurred. Banco BTG Pactual's bonus expenses are directly correlated to, among other factors, Banco BTG Pactual's overall performance, the performance of its individual business units and its cost efficiency. Banco BTG Pactual determines bonuses in accordance with its profit-sharing program and has calculated such bonuses consistently for the nine months ended September 30, 2019 and the years ended 2018, 2017 and 2016, subject only to slight variations.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Banco BTG Pactual's statutory profit sharing increased 125.1%, from R\$338.4 million for the nine months ended September 30, 2018 to R\$761.8 million for the nine months ended September 30, 2019, as a result of higher revenue subject to bonus payment.

See "Presentation of Financial and Other Information—Financial Statements—Our Unaudited Adjusted Income Statement."

Year Ended December 31, 2018 versus Year Ended December 31, 2017

Banco BTG Pactual's statutory profit sharing decreased 9.1%, from R\$689.1 million in 2017 to R\$623.6 million in 2018. Such decrease was a result of lower revenue subject to bonus payment.

See "Presentation of Financial and Other Information—Financial Statements—Our Unaudited Adjusted Income Statement."

Year Ended December 31, 2017 versus Year Ended December 31, 2016

Banco BTG Pactual's statutory profit sharing decreased 4.5%, from R\$721.5 million in 2016 to R\$689.1 million in 2017, impacted by the sale of BSI and the spin-off of Banco BTG Pactual's commodities business which generated R\$153.3 million and R\$134.9 million in statutory profit sharing in 2016 with no corresponding impact for

2017. Such decrease was partially offset by the fact that a significant portion of our total revenue were not subject to bonus payment, including debt repurchases and overhedge adjustments, in 2016.

See “Presentation of Financial and Other Information—Financial Statements—Our Unaudited Adjusted Income Statement.”

Non-Controlling Interest

Banco BTG Pactual’s non-controlling interest consists mainly of the equity not attributable, directly or indirectly, to Banco BTG Pactual, from the following subsidiaries: (i) BW Properties, and (ii) certain investment funds consolidated into its financial statements, including FIM CP Energy, SICAV LatAm Equity Fund, BTGP Alfa Concentrado and ABS GL EQ. Banco BTG Pactual must fully consolidate its investments in these entities due to its controlling interest, with the effects of minority interest then excluded under this line item.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Banco BTG Pactual’s losses from non-controlling interest decreased from R\$9.8 million for the nine months ended September 30, 2018 to R\$2.7 million for the nine months ended September 30, 2019. This decrease in loss was mainly due to the negative impact of mark-to-market accounting adjustments in relation to Banco BTG Pactual’s non-controlling interest in FIM CP Energy, a fund in which Banco BTG Pactual held a 51.5% controlling interest on September 30, 2018, corresponding to a loss of R\$9.1 million versus a gain of R\$ 1.8 million for the nine months ended September 30, 2019, when Banco BTG Pactual, held a 71.6% controlling interest. This impact was partially offset by (i) a loss of R\$2.6 million for the nine months ended September 30, 2019 from the SICAV LatAm Equity Fund where Banco BTG Pactual has a controlling interest of 92.0% with no corresponding impact in 2018 and (ii) a loss of R\$0.8 million for the nine months ended September 30, 2019 from the BTGP Alfa Concentrado where Banco BTG Pactual has a controlling interest of 90.0% with no corresponding impact in 2018.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

Banco BTG Pactual’s results from non-controlling interest varied from gains of R\$7.9 million in 2017 to losses of R\$6.9 million in 2018. This decrease was mainly due to (i) the impact of mark-to-market accounting adjustments to the non-controlling interest (48.5%) in FIM CP Energy, a fund in which Banco BTG Pactual held a 51.5% controlling interest in 2018 and (ii) gains with BW Properties of R\$8.5 million in 2017 with no corresponding relevant impact in 2018.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

Banco BTG Pactual’s gains from non-controlling interest decreased from R\$48.5 million in 2016 to R\$7.9 million in 2017. This decrease was mainly due to less gains derived from the reversal of losses at BW Properties, which generated R\$48.9 million in gains from non-controlling interest in 2016, with no corresponding impact in 2017.

Net Income

As a result of the foregoing, Banco BTG Pactual’s net income: (i) increased 46.5% from R\$1,808.3 million for the nine months ended September 30, 2018 to R\$2,649.2 million for the nine months ended September 30, 2019; (ii) decreased 1.0%, from R\$2,383.9 million in 2017 to R\$2,360.8 million in 2018 and (iii) decreased 30.1%, from R\$3,408.6 million in 2016 to R\$2,383.9 million in 2017.

Interest on Equity

Interest on equity is a substitute dividend payment, which can be treated as a tax deductible expense. It is determined on an annual basis, subject to a 15% withholding tax, and is limited to a maximum of the TJLP as applicable to Banco BTG Pactual’s shareholders equity. The amount of interest on Banco BTG Pactual’s shareholders’ equity is calculated to minimize income tax expenses, by substituting non-tax-deductible dividends payments for tax-deductible interest on equity payments. Although interest on equity reduces income taxes, it is not recorded as an expense and, therefore, is not computed as part of Banco BTG Pactual’s net income. Interest on equity is presented on Banco BTG Pactual’s income statement below the net income line item. As a result of such

substitution, Banco BTG Pactual is able to reduce its income tax and social contribution expense for the year by decreasing its taxable income.

Banco BTG Pactual's interest on equity totaled R\$1,196.6 million in 2018, R\$1,223.7 million in 2017 and R\$1,390.0 million in 2016. There was R\$624.0 million interest on equity for the nine months ended September 30, 2019, compared with a R\$592.5 million interest on equity for the nine months ended September 30, 2018. Banco BTG Pactual's interest on equity is presented in its statement of shareholders' equity and is reflected in its income statement, both of which are included in the financial statements included in this Offering Memorandum.

Consolidated Balance Sheet of Banco BTG Pactual (Brazilian GAAP)

The following table sets forth the balance sheets of Banco BTG Pactual as of the nine months ended September 30, 2019 and as of December 31, 2018, 2017 and 2016, and is derived from the respective consolidated financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this Offering Memorandum:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	(in R\$ millions)			(in R\$ millions)
Assets				
Cash at banks	674.1	4,347.2	979.2	1,056.6
Interbank investments	20,752.7	27,792.3	43,497.2	32,561.2
Securities and derivative financial instruments	37,486.2	42,288.0	29,991.7	40,665.4
Interbank transactions	2,235.3	1,703.6	1,635.6	1,240.2
Loans.....	9,513.4	13,026.2	18,219.6	24,330.4
Securities trading and brokerage	2,790.9	3,598.4	3,877.2	4,683.9
Other receivables.....	29,524.5	28,171.3	29,990.2	54,783.4
Other assets	153.5	127.2	259.2	287.1
Permanent assets	8,640.9	5,537.4	9,196.5	8,378.1
Total assets.....	111,771.6	126,591.6	137,646.4	167,986.2
Liabilities and Shareholders' equity				
Deposits.....	7,690.8	9,178.3	20,950.1	21,059.6
Open market funding.....	24,904.0	33,890.2	35,575.0	31,541.6
Funds from securities issued and accepted	10,335.7	10,289.5	14,396.3	21,270.0
Interbank transactions	5.1	5.4	6.8	4.6
Interdependencies transactions.....	82.6	24.4	74.9	215.5
Loans and onlending	3,544.8	4,729.9	4,969.6	4,251.5
Derivative financial instruments.....	9,644.9	14,161.8	2,813.5	5,224.5
Other liabilities				
Securities trading and brokerage	4,102.0	4,232.6	5,200.8	5,243.3
Subordinated debts.....	7,283.0	6,317.2	5,266.2	5,796.5
Debt instrument eligible to equity	4,305.2	3,043.3	3,579.5	2,487.8
Other liabilities	21,879.1	21,942.3	25,700.1	49,687.6
Deferred income.....	141.8	120.6	130.0	178.1
Non-controlling interest	125.5	132.4	138.7	204.5
Shareholders' equity.....	17,727.2	18,523.7	18,844.9	20,821.1
Total liabilities and shareholders' equity	111,771.6	126,591.6	137,646.4	167,986.2

As of September 30, 2019 versus as of December 31, 2018

As of September 30, 2019, Banco BTG Pactual's assets totaled R\$167,986.2 million, representing a 22.0% increase as compared to R\$137,646.4 million as of December 31, 2018. This increase in assets was mainly a result of: (i) an increase in our securities and derivatives financial instruments from R\$29,991.7 million as of December 31, 2018 to R\$40,665.4 million as of September 30, 2019, and (ii) an increase in our foreign exchange portfolio assets as reflected under the line item "other receivables" from R\$17,425.3 million as of December 31, 2018 to R\$41,772.9 million as of September 30, 2019. Such increase was partially offset by a decrease in our open market investments from R\$40,809.0 million as of December 31, 2018 to R\$30,848.91 million as of September 30, 2019, which was accounted for under interbank investments.

In addition to the increase in our assets, we also had an increase in our liabilities over the same period, which was mainly attributable to increases in our (i) foreign exchange portfolio liabilities as reflected under the line item "other liabilities" from R\$16,480.0 million as of December 31, 2018 to R\$40,841.3 million as of September 30, 2019 in line with the increase in assets and (ii) funds from securities issued and accepted, from R\$14,396.3 million as of December 31, 2018 to R\$21,270.0 million as of September 30, 2019. Such increase was partially offset by a decrease in open market funding liabilities, from R\$35,575.0 million as of December 31, 2018 to R\$31,541.6 million as of September 30, 2019.

Banco BTG Pactual shareholders' equity reached R\$20,821.1 million as of September 30, 2019, representing a 22.0% increase as compared to R\$18,844.9 million as of December 31, 2018. This increase reflects an increase in net income in the amount of R\$2,649.2 million for the nine months ended September 30, 2019, which was partially offset by interest on equity distribution of R\$624.0 million.

As of December 31, 2018 versus as of December 31, 2017

As of December 31, 2018, Banco BTG Pactual's assets totaled R\$137,646.4 million, representing an 8.7% increase as compared to R\$126,591.6 million as of December 31, 2017. The increase in assets was mainly a result of: (i) an increase in our open market investments from R\$26,568.6 million as of December 31, 2017 to R\$40,809.0 million as of December 31, 2018 and (ii) an increase in our loan portfolio from R\$13,026.0 million as of December 31, 2017 to R\$18,219.6 million as of December 31, 2018. Such increase was partially offset by a decrease in our derivative financial instruments from R\$14,444.8 million in December 31, 2017 to R\$3,802.9 million in December 31, 2017. In addition to the increase in our assets, we had an increase in our liabilities over the same period, which was mainly attributable to increases in our (i) deposits from R\$9,178.3 million as of December 31, 2017 to R\$20,950.1 million as of December 31, 2018; (ii) open market funding from R\$33,890.2 million as of December 31, 2017 to R\$35,575.0 million as of December 31, 2018; (iii) funds from securities issued, from R\$10,289.5 million as of December 31, 2017 to R\$14,396.3 million as of December 31, 2018 and (iv) foreign exchange portfolio liabilities, as reflected under the line item "other liabilities," from R\$11,773.8 million as of December 31, 2017 to R\$16,408.0 million as of December 31, 2018. Furthermore, the increase in these liabilities was partially offset by a decrease in our derivatives portfolio from R\$14,161.8 million as of December 31, 2017 to R\$2,813.5 million as of December 31, 2018.

Banco BTG Pactual shareholders' equity reached R\$18,844.9 million as of December 31, 2018, representing a 1.7% increase compared to R\$18,523.7 million as of December 31, 2017.

As of December 31, 2017 versus as of December 31, 2016

As of December 31, 2017, Banco BTG Pactual's assets totaled R\$126,591.6 million, representing a 13.3% increase as compared to R\$111,771.6 million as of December 31, 2016. The increase in assets was mainly a result of: (i) an increase in our open market investments from R\$18,810.1 million as of December 31, 2016 to R\$26,568.6 million as of December 31, 2017; (ii) an increase in pending settlement accounts from R\$1,875.9 million as of December 31, 2016 to R\$3,023.6 million as of December 31, 2017, accounted for under securities trading and brokerage balance; and (iii) an increase in our long derivatives portfolio from R\$11,910.3 million as of December 31, 2016 to R\$14,444.8 million as of December 31, 2017, mostly related to deliverable forward contracts. Such increase was partially offset by a decrease in our foreign exchange portfolio assets as reflected under the line item "other receivables," from R\$14,695.5 million in December 31, 2016 to R\$12,007.7 million in December 31, 2017. In addition to the increase in our assets, we had an increase in our liabilities over the same period, which was mainly

attributable to increases in our (i) open market funding from R\$24,904.0 million as of December 31, 2016 to R\$33,890.2 million as of December 31, 2017 and (ii) derivatives portfolio from R\$9,644.9 million as December 31, 2016 to R\$14,161.8 million as of December 31, 2017, mostly related to deliverable forward contracts. Furthermore, the increase in these liabilities was partially offset by a decrease in our foreign exchange portfolio liabilities, as reflected under the line item “other liabilities,” from R\$14,341.8 million as of December 31, 2016 to R\$11,773.8 million as of December 31, 2017.

Banco BTG Pactual shareholders’ equity reached R\$18,523.7 million as of December 31, 2017, representing a 4.5% increase compared to R\$17,727.2 million as of December 31, 2016.

Unaudited Adjusted Income Statement

The following table sets forth Banco BTG Pactual’s unaudited adjusted income statement, which was not prepared in accordance with Brazilian GAAP and materially differs from its income statement. The unaudited adjusted income statement has not been audited nor reviewed by Banco BTG Pactual’s independent auditors.

(Unaudited)	For the year ended December 31,			For the nine months ended September 30,	
	2016	2017	2018	2018	2019
	<i>(R\$ millions)</i>				
Investment banking	367.1	366.6	464.0	378.0	642.6
Corporate lending	876.6	790.1	848.8	715.4	584.5
Sales and trading	2,816.5	2,389.0	1,539.4	1,042.3	2,123.2
Asset management	539.6	486.3	717.0	438.2	584.0
Wealth management	2,407.9	368.7	472.2	352.4	446.5
Principal investments	(29.8)	15.1	690.7	362.7	716.9
Participations	(112.8)	(15.5)	4.7	30.6	374.5
Interest and other	1932.1	1,127.2	615.4	483.8	374.9
Total revenues, net of direct expenses allocation	8,797.1	5,527.5	5,352.2	3,803.6	5,847.2
Bonus	(805.8)	(745.5)	(685.0)	(386.8)	(771.6)
Salaries and benefits	1,637.4	(529.4)	(614.7)	(458.6)	(497.7)
Administrative and others	1,707.9	(852.6)	(840.6)	(611.3)	(698.4)
Goodwill amortization	(243.8)	(279.8)	(146.5)	(106.8)	(114.3)
Tax charges, other than income tax	(370.7)	(244.0)	(272.8)	(187.5)	(298.3)
Total operating expenses	4,765.6	(2,651.3)	(2,559.6)	(1,751.0)	(2,380.3)
Income before taxes	4,031.5	2,876.2	2,792.6	2,052.6	3,466.8
Income tax and social contribution revenue (expense)	(623.0)	(492.3)	(431.8)	(243.9)	(817.7)
Net income	3,408.5	2,383.9	2,360.8	1,808.7	2,649.2

Banco BTG Pactual’s revenue from investment banking activities consist of financial advisory and underwriting fees directly based on the number and size of the transactions in which it participates.

Banco BTG Pactual’s revenue from corporate lending consist of interest it charges on its loans net of (i) provisions for loan losses and (ii) the opportunity cost for funding the corporate lending inventory. Revenue from its corporate lending book comprise revenue from its broader credit portfolio considering only the loans originated by its corporate lending business. Revenue from its broader credit portfolio is composed by revenue from loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in FIDCs).

Banco BTG Pactual’s revenue from sales and trading include revenue from FICC and equity sales and trading. Its FICC sales and trading revenue consist mainly of: (i) fees and commissions charged for products and services that are linked to fixed income, currency and commodities instruments and securities that Banco BTG Pactual offers to its clients; and (ii) gains or losses from its trading in such instruments and securities, which are net of the opportunity cost for funding the sales and trading inventory. Its revenue from equity sales and trading consists

mainly of fees and commissions charged for products and services linked to equity securities that Banco BTG Pactual offers to its clients, as well as gains or losses from its trading in these securities, which are net of the cost for funding the sales and trading inventory.

Banco BTG Pactual's revenue from asset management consist of management and performance fees. Management fees are generally calculated as a percentage of asset value which may vary by asset class, committed capital, invested capital or total gross acquisition cost with respect to the funds and investment vehicles that it manages. Asset value is affected by investment performance, inflows and redemptions. In some cases, Banco BTG Pactual may also receive performance fees when returns exceed specified benchmarks or other performance targets; however, these performance fees are only recognized when the specific performance period ends and is no longer subject to adjustment. Substantially all AUM are marked-to-market on a daily basis. In addition, Banco BTG Pactual receives fixed or variable fees for fund administration services to third parties.

Banco BTG Pactual's revenue from wealth management consist of a portion of management and performance fees originated by its private wealth clients and commissions with respect to brokerage and other FICC and equities products it sells to its private wealth clients, and custody fees. BSI's results following its acquisition in 2015 and prior to its sale in 2016 are considered under the wealth management business unit, as opposed to the asset management business unit.

Banco BTG Pactual's revenue from Participations consist of Banco BTG Pactual's share of profits and losses of its interests in (i) Banco PAN, (ii) Too Seguros (formerly known as Pan Seguros), (iii) Pan Corretora, (iv) Maybrooke (prior to its sale in February 2017), (v) EFG (as of November 2016), (vi) BSI (in the last quarter of 2016, prior to its sale) and (vii) Engelhart CTP (as of October 2016, after the spin-off of most of our commodities business and until September 30, 2019 with the transfer of Neoport to BTG Pactual Holding, see "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations" above). All investments are accounted for using the equity pick-up method and the results are gross of the funding costs applied. Starting in the fourth quarter of 2016, Banco BTG Pactual began to present certain of our strategic investments under the separate Participations business unit and, for purposes of comparability, we are presenting our unaudited adjusted income statement for all periods giving effect to this reclassification.

Banco BTG Pactual's revenue from principal investments are composed of revenue from the global markets, merchant banking and real estate segments.

Global Markets: Revenue from global markets consisted of the returns from its proprietary investments in a diversified range of financial instruments across multiple asset classes and geographic regions. Its global markets teams are located in São Paulo, Rio de Janeiro, New York and London. These teams focus on both developed and emerging markets, allocating capital across various underlying strategies that include a mix of emerging markets and global macro themes. Financial instruments held under this category are marked-to-market and generate gains or losses on a daily basis.

Merchant Banking: Revenue from merchant banking investments consist mainly of the returns from capital gains on the sale, dividends received, or equity pick-up from its shares of the profits, of its stakes held directly or through investment vehicles in the portfolio companies in its merchant banking portfolio. Following a strategic shift in business and investment focus beginning in 2014, we sold the majority of our merchant banking and private equity investments, with our portfolio consisting now only of legacy investments in PetroAfrica, Eneva and Infrastructure Fund II, through which our main investment is Globonet. We do not consolidate the results of any of our portfolio companies in our financial statements.

Real Estate: Revenue from real estate investments consists mainly of returns of Banco BTG Pactual's remaining investments in real estate funds, and of capital gains on the sale, and dividends received or equity pick-up from its shares of the profits, of its proprietary, non-controlling stakes held in the investment vehicles in its real estate portfolio, such as BW Properties and FIP Warehouse. Revenue from its principal investments are presented net of funding costs, including the cost of funding its net equity, and of trading losses, including losses from derivatives and from foreign exchange variation. Revenue may also be reduced by associated transaction costs, and by management and performance fees paid to asset managers and other fund service providers, including Banco BTG Pactual's own asset management unit.

Given the nature of its assets and the structure of its business, Banco BTG Pactual's merchant banking and real estate investments are generally not measured at fair value unless such assets are publicly traded. Banco BTG Pactual's results from these businesses typically reflect: (i) its share of profits or losses from its portfolio companies; (ii) dividends received from investments not subject to the equity pick-up method of accounting; (iii) allowances for valuation of properties, impairment of goodwill or for losses in investments; (iv) its internal funding costs applied to the merchant banking and real estate portfolios; and (v) gains on the divestiture of its investments.

Banco BTG Pactual's revenue recorded under "interest and other" include the interest on its capital, which is the internal opportunity cost for remunerating its net equity, typically determined based on the CDI rate. The interest on its capital, credited to "interest and other," is in turn deducted as a funding cost directly from the respective revenue of Banco BTG Pactual's various business units. The units primarily affected by such deductions are those which carry inventories of financial instruments and investments, i.e., sales and trading, commercial lending, and principal investments units, as their results are presented in Banco BTG Pactual's unaudited adjusted income statement net of the interest on its capital, as well as all other costs for obtaining external funding to finance their portfolios. Banco BTG Pactual believes that its discipline of charging internal and external funding costs directly to these business units is one of the most critical components of its risk and liquidity management disciplines, as it allows Banco BTG Pactual to more appropriately monitor and evaluate the financial performance of its various units. Interest and other revenue also include gains and losses resulting from the exchange rate variation, and the corresponding results from hedging (as applicable), of certain assets and liabilities denominated in currencies other than the *real*, including its investments in foreign subsidiaries.

For additional information on the revenue or expenses recorded in Banco BTG Pactual's unaudited adjusted income statement, see "—Our Unaudited Adjusted Income Statement."

The following table sets forth Banco BTG Pactual's revenue composition and evolution by business unit for the periods indicated:

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

(Unaudited)	For the nine months ended September 30,				
	2018	% of total	2019	% of total	Variation (%)
	<i>(in R\$ millions, except percentages)</i>				
Investment banking	378.0	9.9%	642.6	11.0%	70.0%
Corporate lending	715.4	18.8%	584.5	10.0%	(18.3%)
Sales and trading	1,042.3	27.4%	2,123.2	36.3%	103.7%
Asset management	438.2	11.5%	584.0	10.0%	33.3%
Wealth management	352.4	9.3%	446.5	7.6%	26.7%
Principal investments	362.7	9.5%	716.9	12.3%	97.7%
Participations	30.6	0.8%	374.5	6.4%	n.a.
Interest and other	483.8	12.7%	374.9	6.4%	(22.5%)
Total revenues	3,803.6	100.0%	5,847.2	100.0%	53.7%

Investment Banking: Revenue from investment banking increased 70.7% for the nine months ended September 30, 2019 when compared to the same period in 2018. Revenue growth was attributed to stronger market conditions in the debt capital markets and financial advisory services generating greater fees in each of these areas. While the average ticket and volume of transactions was lower during the nine months ended September 30, 2019 compared to the previous period, Banco BTG Pactual continued to be well-positioned in terms of fees collected.

The following table provides a breakdown of Banco BTG Pactual's investment banking activities for the period indicated:

(Unaudited)	For the nine months ended September 30,			
	2018	2019	2018	2019
	(number of transactions) ⁽¹⁾		(US\$ millions) ⁽²⁾⁽³⁾	
Financial advisory (M&A) ⁽⁴⁾	42	32	9,172	5,970
Equity underwriting (ECM)	14	27	1,805	2,122
Debt underwriting (DCM)	29	52	3,734	3,963

Sources: Dealogic for ECM, M&A and international DCM and Anbima for local Brazilian DCM

- (1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.
- (2) Local debt capital market transactions were converted to U.S. dollars using the end of quarter exchange rates.
- (3) Market data from previous periods might vary in all products, due to potential inclusion and exclusions.
- (4) M&A market data for previous periods may vary because: (i) deal inclusions might be delayed at any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets).

Corporate Lending: Revenue from corporate lending decreased 18.3%, from R\$715.4 million for the nine months ended September 30, 2018 to R\$584.5 million for the nine months ended September 30, 2019, reflecting mainly higher provisions for the nine months ended September 30, 2019 due to the credit deterioration of a waste disposal company leading to defaults by such counterparty. Such impact was partially offset by an increase in our total corporate lending portfolio from R\$26,102.6 million as of September 30, 2018 to R\$39,272.4 million as of September 30, 2019. Spreads remained stable for the nine months ended September 30, 2019, when compared to the same period of 2018.

Sales and Trading: Revenue from sales and trading increased 103.7%, from R\$1,042.3 million for the nine months ended September 30, 2018 to R\$2,123.2 million for the nine months ended September 30, 2019 primarily due to the performance of our rates desk for the nine months ended September 30, 2019, compared to a weak performance for the nine months ended September 30, 2018, which was partially offset by our energy desk which had a weaker performance for the nine months ended September 30, 2019.

Asset Management: Revenue from asset management increased 33.3%, from R\$438.2 million for the nine months ended September 30, 2018 to R\$584.0 million for the nine months ended September 30, 2019, mainly as a result of (i) a 36.0% increase in combined average AUM and AUA from R\$165.8 billion during the nine months ended September 30, 2018 to R\$225.5 billion during the nine months ended September 30, 2019 and (ii) increased collection of performance fees that was insignificant in the corresponding period of 2018.

Wealth Management: Revenue from wealth management increased 26.7%, from R\$352.4 million for the nine months ended September 30, 2018 to R\$446.5 million for the nine months ended September 30, 2019 mainly due to (i) a 37.1% increase in average WUM invested in higher margin funds, from R\$68.6 billion during the nine months ended September 30, 2018 to R\$94.1 billion during the nine months ended September 30, 2019 and (ii) a 30.5% increase in average WUM invested in equity, fixed income and other instruments that are less profitable, from R\$33.8 billion during the nine months ended September 30, 2018 to R\$44.2 billion during the nine months ended September 30, 2019.

Principal Investments: Gains from Principal Investments increased from R\$362.7 million for the nine months ended September 30, 2018 to R\$716.9 million for the nine months ended September 30, 2019. Such increase was mainly due to a higher contribution to profits from our private equity investments driven by PetroAfrica and Eneva. These gains were partially offset by internal funding cost allocation.

Participations: Banco BTG Pactual's gains of R\$374.5 million for the nine months ended September 30, 2019 under Participations reflect mainly its share of profits from its stake in: (i) Banco PAN, which generated gains of R\$265.9 million; (ii) Too Seguros (formerly known as Pan Seguros) and Pan Corretora which generated

aggregate gains of R\$31.8 million; (iii) Engelhart CTP, which generated gains of R\$13.9 million and (iv) EFG, which generated gains of R\$62.9 million.

Interest and Other: Revenue from interest and other decreased 22.5%, from R\$483.8 million for the nine months ended September 30, 2018 to R\$374.9 million for the nine months ended September 30, 2019, mainly due to the volatility in certain hedging instruments combined with the reduction in the U.S. dollar interest rate in the local market.

Operating Expenses: The following table sets forth the composition and evolution of Banco BTG Pactual's costs and expenses for the period indicated:

(Unaudited)	For the nine months ended September 30,				Variation (%)
	2018	% of total	2019	% of total	
	<i>(in R\$ millions, except percentages)</i>				
Bonus	(386.8)	22.1%	(771.6)	32.4%	99.5%
Salaries and benefits	(458.6)	26.2%	(497.7)	20.9%	8.5%
Administrative and others	(611.3)	34.9%	(698.4)	29.3%	14.3%
Goodwill amortization	(106.8)	6.1%	(114.3)	4.8%	7.0%
Tax charges, other than income tax	(187.5)	10.7%	(298.3)	12.5%	59.1%
Total operating expenses	(1,751.0)	100.0%	(2,380.3)	100.0%	35.9%

Banco BTG Pactual's total operating expenses increased 35.9%, from R\$1,751.0 million for the nine months ended September 30, 2018 to R\$2,380.3 million for the nine months ended September 30, 2019. This increase was mainly due to the following factors:

Bonus: Bonus expenses increased 99.5%, from R\$386.8 million for the nine months ended September 30, 2018 to R\$771.6 million for the nine months ended September 30, 2019. Banco BTG Pactual's bonuses are determined in accordance with its profit-sharing program, and are calculated as a percentage of its adjusted revenue.

Goodwill amortization: Goodwill amortization increased 7.0%, from R\$106.8 million for the nine months ended September 30, 2018 to R\$114.3 million for the nine months ended September 30, 2019. Such increase was mainly due to the impact of exchange rate variations.

Tax charges, other than income tax: Tax charges, other than income tax increased 59.1%, from R\$187.5 million for the nine months ended September 30, 2018 to R\$298.3 million for the nine months ended September 30, 2019. This increase was mainly due to an increase in revenue subject to tax charges in Brazil, such as trading and services revenues, for the nine months ended September 30, 2019. Tax charges, other than income tax, consist mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Salaries and Benefits: Expenses related to salaries and benefits increased 8.5%, from R\$458.6 million for the nine months ended September 30, 2018 to R\$497.7 million for the nine months ended September 30, 2019, mainly due to an increase of 5.0% in the average annual salary adjustment for employees pursuant to the terms of the annual union agreement that is renegotiated annually and an increase in the number of employees.

Administrative and Others: Total administrative expenses increased 14.3%, from R\$611.3 million for the nine months ended September 30, 2018 to R\$698.4 million for the nine months ended September 30, 2019, mainly reflecting expenses incurred for legal fees in connection with the BSI arbitration (see "Business—Legal Matters—Civil and Other Proceedings").

Income before taxes: As a result of the foregoing, Banco BTG Pactual's income before taxes increased 68.9%, from R\$2,052.6 million for the nine months ended September 30, 2018 to R\$3,466.8 million for the nine months ended September 30, 2019.

Income tax and social contribution expense: Income tax and social contribution consist of current and deferred taxes. Banco BTG Pactual's income tax and social contribution expenses increased 235.3%, from R\$243.9

million for the nine months ended September 30, 2018 to R\$817.7 million for the nine months ended September 30, 2019. The effective income tax and social contribution rate increased to (11.9)% from (23.6)% due to a more favorable mix of revenues for the nine months ended September 30, 2018.

Year Ended December 31, 2018 versus Year Ended December 31, 2017

(Unaudited)	For the year ended December 31,				
	2017	% of total	2018	% of total	Variation (%)
	<i>(in R\$ millions, except percentages)</i>				
Investment banking	366.6	6.6%	464.0	8.7%	26.6%
Corporate lending	790.1	14.3%	848.8	15.9%	7.4%
Sales and trading	2,389.0	43.2%	1,539.4	28.8%	(35.6%)
Asset management	486.3	8.8%	717.0	13.4%	47.4%
Wealth management	368.7	6.7%	472.2	8.8%	28.1%
Principal investments	15.1	0.3%	690.7	12.9%	4459.8%
Participations	(15.5)	(0.3%)	4.7	0.1%	n.a.
Interest and other	1,127.2	20.4%	615.4	11.5%	(45.4%)
Total revenue	5,527.5	100.0%	5,352.2	100.0%	(3.2%)

Investment Banking: Investment banking reached our highest annual revenue since our initial public offering, growing 26.6% year over year, reaching R\$464.0 million in revenue for 2018. The strong performance was mainly driven by financial advisory and debt capital markets practices.

The following table provides a breakdown of Banco BTG Pactual's investment banking activities for the period indicated:

(Unaudited)	For the year ended December 31,			
	2017	2018	2017	2018
	<i>(number of transactions)⁽¹⁾</i>		<i>(US\$ billions)⁽²⁾⁽³⁾</i>	
Financial advisory (M&A) ⁽⁴⁾	98	101	57.1	44.1
Equity underwriting (ECM)	31	16	4.1	2.2
Debt underwriting (DCM)	38	36	11.8	4.2

Sources: Dealogic for ECM, M&A and international DCM and Anbima for local Brazilian DCM

- (1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.
- (2) Local debt capital market transactions were converted to U.S. dollars using the end of quarter exchange rates.
- (3) Market data from previous periods might vary in all products, due to potential inclusion and exclusions.
- (4) M&A market data for previous periods may vary because: (i) deal inclusions might be delayed at any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets).

Corporate Lending: Revenue from corporate lending increased 7.4%, from R\$790.1 million in 2017 to R\$848.8 million in 2018. The increase was mainly due to higher revenue from our non-performing loans strategies during the year, and an increase in the average portfolio size.

Sales and Trading: Revenue from sales and trading decreased 35.6%, from R\$2,389.0 million in 2017 to R\$1,539.4 million in 2018, mostly due to our conservative risk allocation driven by challenging market conditions. Performance was weaker in the rates, energy and equities desks, while foreign exchange and brokerage performances were significantly better year over year.

Asset Management: Revenue from asset management increased 47.4%, from R\$486.3 million in 2017 to R\$717.0 million in 2018. The increase in revenue was in line with the increase in management fees due to the increase in AUM and AUA, combined with higher performance fees, especially from Fixed Income and Equities funds.

Principal Investments: Principal Investments had gains of R\$690.7 million in 2018 compared to gains of R\$15.1 million in 2017 mainly due to our share of profits from investments in 2018, gains in our global market strategies and lower internal funding cost allocation.

Participations: Banco BTG Pactual's gains of R\$4.7 million in 2018 reflects (i) R\$111.4 million gains from Banco PAN, which continues to improve its performance; (ii) R\$36.0 million gains from Too Seguros (formerly known as Pan Seguros) and Pan Corretora; (iii) R\$113.5 million losses from ECTP, which continues to underperform in challenging market conditions; (iv) losses of R\$0.4 million in Ariel and (v) losses of R\$28.8 million in our stake in EFG.

The loss of R\$15.5 million in 2017 reflects a loss of R\$37.3 million, mainly related to our write-off in relation to the sale of our stake in Maybrooke and a loss of R\$116.4 million from our share of profits/losses from our stake in Engelhart CTP due to a decline in performance, which were offset by gains of R\$115.8 million from our share of profits/losses from our stakes in Banco PAN, Too Seguros (formerly known as Pan Seguros) and Pan Corretora and by the gain of R\$22.4 million from our share of profits from our stake in EFG (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations” above).

Interest and Other: Revenue from interest and other decreased 45.4% from R\$1,127.2 million in 2017 to R\$615.4 million in 2018, mainly due to the decrease in the average interest rate from 7.0% to 6.5%, partially offset by the 1.7% increase in shareholders' equity.

Operating Expenses: The following table sets forth the composition and evolution of Banco BTG Pactual's costs and expenses for the period indicated:

(Unaudited)	For the year ended December 31,				Variation (%)
	2017	% of total	2018	% of total	
	<i>(in R\$ millions, except percentages)</i>				
Bonus	(745.5)	28.1%	(685.0)	106.8%	(8.1%)
Salaries and benefits.....	(529.4)	20.0%	(614.7)	95.8%	16.1%
Administrative and others	(852.6)	32.2%	(840.6)	131.1%	(1.4%)
Goodwill amortization.....	(279.8)	10.6%	(146.5)	22.8%	(47.6%)
Tax charges, other than income tax	(244.0)	9.2%	(272.8)	42.5%	11.8%
Total operating expenses.....	(2,651.3)	100.0%	(2,559.6)	100.0%	(3.5%)

Banco BTG Pactual's total operating expenses decreased 3.5%, from R\$2,651.3 million in 2017 to R\$2,559.6 million in 2018. This decrease was mainly due to the following factors:

Bonus: Bonus expenses decreased 8.1%, from R\$745.5 million in 2017 to R\$685.0 million in 2018. Banco BTG Pactual's bonuses are determined in accordance with its profit-sharing program and are calculated as a percentage of its adjusted revenue.

Salaries and Benefits: Expenses related to salaries and benefits increased 16.1%, from R\$529.4 million in 2017 to R\$614.7 million in 2018, primarily related to the new hires at BTG Pactual Digital and the foreign exchange impact.

Administrative and Others: Administrative and other expenses decreased 1.4%, from R\$852.6 million in 2017 to R\$840.6 million in 2018.

Goodwill Amortization: Goodwill amortization decreased 47.6%, from R\$279.8 million in 2017 to R\$146.5 million in 2018. Such decrease was mainly due to the end of Celfin and Bolsa Y Renta goodwill amortization.

Tax charges, other than income tax: Tax charges, other than income tax increased 11.8%, from R\$244.0 million in 2017 to R\$272.8 million in 2018. This decrease was mainly due to a less favorable revenue mix in 2018, with a proportionally higher portion of revenue subject to tax charges or subject to a higher tax rate. Tax charges,

other than income tax, consist mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Income Before Taxes: As a result of the foregoing, Banco BTG Pactual's income before taxes decreased 2.9%, from R\$2,876.2 million in 2017 to R\$2,793.0 million in 2018.

Income tax and social contribution expense: Income tax and social contribution consist of current and deferred taxes. Banco BTG Pactual's income tax and social contribution expenses decreased 12.2%, from \$492.3 million in 2017 to R\$431.8 million in 2018, The effective income tax and social contribution rate decreased to 15.5% from 17.1% due to a more favorable income mix.

Net Income: As a result of the foregoing, Banco BTG Pactual's net income decreased 1.0%, from R\$2,383.8 million in 2017 to R\$2,360.8 million in 2018, representing a net margin of 43.1% and 44.1%, respectively.

Year Ended December 31, 2017 versus Year Ended December 31, 2016

(Unaudited)	For the year ended December 31,				Variation (%)
	2016	% of total	2017	% of total	
	<i>(in R\$ millions, except percentages)</i>				
Investment banking	367.1	4.2%	366.6	6.6%	(0.1%)
Corporate lending	876.6	10.0%	790.1	14.3%	(9.9%)
Sales and trading	2,816.5	32.0%	2,389.0	43.2%	(15.2%)
Asset management	539.6	6.1%	486.3	8.8%	(9.9%)
Wealth management	2,407.9	27.4%	368.7	6.7%	(84.7%)
Principal investments	(29.8)	(0.3%)	15.1	0.3%	(150.9%)
Participations	(112.8)	(1.3%)	(15.5)	(0.3%)	(86.3%)
Interest and other	1,932.1	22.0%	1,127.2	20.4%	(41.7%)
Total revenue	8,797.1	100.0%	5,527.5	100.0%	(37.2%)

Investment Banking: Revenue from investment banking remained relatively unaltered in 2017 when compared to 2016. Notwithstanding this result, activity levels increased significantly. Revenue performance in 2017 was impacted by (i) the one-off fee devolution that occurred in the second quarter of 2017 in connection with a transaction proposed in 2016 that was not approved by the Brazilian antitrust authorities and (ii) a backlog of unannounced transactions for which we provided financial advisory services that generated significant activity during the period but have not yet closed and, therefore, have not yet generated corresponding revenue.

The following table provides a breakdown of Banco BTG Pactual's investment banking activities for the period indicated:

(Unaudited)	For the year ended December 31,			
	2016	2017	2016	2017
	(number of transactions) ⁽¹⁾		(US\$ billions) ⁽²⁾⁽³⁾	
Financial advisory (M&A) ⁽⁴⁾	30	35	17.3	21.4
Equity underwriting (ECM)	10	31	2.0	4.1
Debt underwriting (DCM)	27	38	2.4	11.8

Sources: Dealogic for ECM, M&A and international DCM and Anbima for local Brazilian DCM

- (1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.
- (2) Local debt capital market transactions were converted to U.S. dollars using the end of quarter exchange rates.
- (3) Market data from previous periods might vary in all products, due to potential inclusion and exclusions.
- (4) M&A market data for previous periods may vary because: (i) deal inclusions might be delayed at any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets).

Corporate Lending: Revenue from corporate lending decreased 9.9%, from R\$876.6 million in 2016 to R\$790.1 million in 2017. The decrease in revenue was mainly due to (i) higher provisioning during 2017 driven by infrastructure projects, (ii) lower revenue from our non-performing loans strategies and (iii) a slight reduction in the average portfolio size. Spreads remained stable in 2017 as compared to 2016.

Sales and Trading: Revenue from sales and trading decreased 15.2%, from R\$2,816.5 million in 2016 to R\$2,389.0 million in 2017, mainly due to R\$797.3 million loss of revenue following the spin-off of our commodities business, with our remaining take being reported under the Participations business unit in the fourth quarter of 2016 (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations” above). When excluding Engelhart CTP's results for both periods, revenue would have increased 18% mainly as a result of an increase in revenue in the interest rates and equities desks, offset by a decrease in revenue from the energy desk.

Asset Management: Revenue from asset management decreased 9.9%, from R\$539.6 million in 2016 to R\$486.3 million in 2017. The decrease is mainly attributable to the reduction in the average AUM/AUA from 2016 to 2017. Management fees as a percentage of AUM remained stable.

Wealth Management: Revenue from wealth management decreased 84.7%, from R\$2,407.9 million in 2016 to R\$368.7 million in 2017. This decrease reflects the impact of BSI revenue on our results, which, during 2016, generated revenue for our wealth management unit of R\$2,073.5 million, with no corresponding revenue during 2017. In the fourth quarter of 2016, we started to present our share of profits and losses in EFG (after the sale of BSI to EFG in November 2016) under the Participations business unit (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations” above). Excluding BSI revenue, revenue from wealth management would have increased 10.2%, from R\$334.4 million in 2016 to R\$368.7 million in 2017, mainly attributable to the 17.9% increase in the average WUM (from R\$73.7 billion in 2016 to R\$86.9 billion in 2017).

Principal Investments: Principal Investments had gains of R\$15.1 million in 2017 compared to losses of R\$29.8 million in 2016 mainly due to our share of profits from investments, gains in our global market strategies and lower internal funding cost allocation. In addition, real estate revenue in 2017 reflect mainly internal funding cost allocations, while real estate revenue in 2016 were negatively impacted by an asset sale in the first quarter of 2016. Global markets, merchant banking and real estate results all incorporate internal funding cost allocation, dividend income and equity pick up from subsidiaries, as customary practice.

Participations: Banco BTG Pactual's losses of R\$112.8 million in 2016 reflects (i) a loss of R\$99.4 million from our share of profits/losses from our stakes in Banco PAN, Too Seguros (formerly known as Pan

Seguros) and Pan Corretora and (ii) a loss of R\$8.2 million from our share of profits/losses from our stake in Engelhart CTP.

The loss of R\$15.5 million in 2017 reflects a loss of R\$37.3 million, mainly related to our write-off in relation to the sale of our stake in Maybrooke and a loss of R\$116.4 million from our share of profits/losses from our stake in Engelhart CTP due to a decline in performance, which were offset by gains of R\$115.8 million from our share of profits/losses from our stakes in Banco PAN, Too Seguros (formerly known as Pan Seguros) and Pan Corretora and by the gain of R\$22.4 million from our share of profits from our stake in EFG (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations” above).

Interest and Other: Revenue from interest and other decreased 41.7% from R\$1,932.1 million in 2016 to R\$1,127.2 million in 2017 mainly due to the decrease in the average interest rate from 14.16% to 9.84%, which was partially offset by the 4% increase in shareholder’s equity.

Operating Expenses: The following table sets forth the composition and evolution of Banco BTG Pactual’s costs and expenses for the period indicated:

(Unaudited)	For the year ended December 31,				Variation (%)
	2016	% of total	2017	% of total	
	<i>(in R\$ millions, except percentages)</i>				
Bonus	(805.8)	16.9%	(745.5)	28.1%	(7.5%)
Salaries and benefits.....	(1,637.4)	34.4%	(529.4)	20.0%	(67.7%)
Administrative and others	(1,707.9)	35.8%	(852.6)	32.2%	(50.1%)
Goodwill amortization.....	(243.8)	5.1%	(279.8)	10.6%	14.8%
Tax charges, other than income tax	(370.7)	7.8%	(244.0)	9.2%	(34.2%)
Total operating expenses.....	(4,765.6)	100.0%	(2,651.3)	100.0%	(44.4%)

Banco BTG Pactual’s total operating expenses decreased 44.4%, from R\$4,765.6 million in 2016 to R\$2,651.3 million in 2017. This decrease was mainly due to the following factors:

Bonus: Bonus expenses decreased 7.5%, from R\$805.8 million for 2016 to R\$745.5 million in 2017. Excluding the effects of BSI and Engelhart CTP in both years, bonus expenses would have increased 59.1%, from R\$468.6 million in 2016 to R\$745.5 million in 2017, reflecting higher adjusted revenue (excluding interest and other revenue, reduced by its operating expenses). Banco BTG Pactual’s bonuses are determined in accordance with its profit-sharing program, and are calculated as a percentage of its adjusted revenue.

Salaries and Benefits: Expenses related to salaries and benefits decreased 67.7%, from R\$1,637.4 million in 2016 to R\$529.4 million in 2017. Excluding the effects of BSI and Engelhart CTP in both years, salaries and benefits would have decreased 12.7% from 2016 to 2017, mostly due to the effects of our cost reduction program.

Administrative and Others: Total administrative expenses decreased 50.1%, from R\$1,707.9 million in 2016 to R\$852.6 million in 2017. Excluding the effects of BSI and Engelhart CTP in both years, total administrative expenses would have increased 14.5% as a result of consulting and legal fees incurred in connection with certain transactions.

Goodwill Amortization: Goodwill amortization increased 14.8%, from R\$243.8 million in 2016 to R\$279.8 million in 2017. Such increase was mainly in connection with the EFG / BSI transaction.

Tax charges, other than income tax: Tax charges, other than income tax decreased 34.2%, from R\$370.7 million in 2016 to R\$244.0 million in 2017. This decrease was mainly due to (i) lower revenue in the period, and (ii) a more favorable revenue mix in 2017, with a proportionally lower portion of revenue subject to tax charges or subject to a lower tax rate. Tax charges, other than income tax, consist mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Income Before Taxes: As a result of the foregoing, Banco BTG Pactual's income before taxes decreased 28.7%, from R\$4,031.6 million in 2016 to R\$2,876.2 million in 2017.

Income tax and social contribution expense: Income tax and social contribution consist of current and deferred taxes. Banco BTG Pactual's income tax and social contribution expenses decreased 21.0%, from R\$623.0 million in 2016 to R\$492.3 million in 2017, with the effective income tax and social contribution rate remaining stable.

Net Income: As a result of the foregoing, Banco BTG Pactual's net income decreased 30.1%, from R\$3,408.6 million in 2016 to R\$2,383.8 million in 2017, representing a net margin of 38.7% and 43.1%, respectively.

Regulatory Capital Requirements

Banco BTG Pactual maintains a level and composition of equity capital that it considers sufficient to conduct its operations under well-capitalized bank standards. Banco BTG Pactual manages its capital requirements by establishing limits to its business units on the capital it deploys in its operations. Its definition of capital generally follows the principles and guidelines established by the Basel Committee, as they have been adopted from time to time by the Central Bank. As of December 31, 2018 Banco BTG Pactual's total shareholders' equity was R\$18,844.9 million compared to R\$18,523.7 million and R\$17,727.2 million as of December 31, 2017 and 2016, respectively. As of September 30, 2019, Banco BTG Pactual's total shareholders' equity was R\$20,821.1 million and its Basel capital ratio was 15.1%.

Banco BTG Pactual's capital levels have changed significantly over the past years. In January 2017, the CMN and the Central Bank issued a new regulatory framework implementing a segmentation of financial institutions based on their systematic importance. Accordingly, under the terms of CMN Resolution No. 4,553 issued on January 30, 2017, as amended ("CMN Resolution No. 4,553"), depending on the group in which the financial institutions were classified, the requirements would vary proportionally. Banco BTG Pactual was classified in the first group, meaning that it should be compliant with the full regulatory and supervisory package. See "Regulatory Overview—Banking Regulation—Capital Adequacy and Leverage."

On October 31, 2017, in connection with a cash tender offer to repurchase a portion of our 8.750% Perpetual Non-Cumulative Junior Subordinated Notes issued in October 2014, the Central Bank authorized the disqualification of US\$390 million in aggregate principal of our outstanding as regulatory capital. As a result and because there was no relevant increase or decrease in the RWA, Banco BTG Pactual's Basel Ratio decreased from 21.5% to 18.0% at the end of 2017.

In January 2019, according to the Basel III implementation schedule in Brazil, the phase-out of Tier 2 debt issued prior to March 1, 2013 reached 70% for Tier 2 debt that does not fully comply with the requirements of CMN Resolution 4,192 to be considered as regulatory capital (i.e., only 30% of the balance of such Tier 2 debt could be included in the calculation of the regulatory capital of any relevant institution).

In addition, Banco BTG Pactual's Basel total capital ratio slightly increased to 17.6% at the end of the first quarter of 2019, primarily as a result of (i) the sale of a portion of our shares in Banco PAN for R\$200 million, (ii) additional phase-in of Basel III deductions and (iii) the impact of the foreign exchange variation on total deferred tax assets. These effects were partially offset by a reduction in risk-weighted assets.

On September 18, 2019, Banco BTG Pactual, acting through its Cayman Islands Branch, redeemed all of the outstanding aggregate principal amount of the 8.750% Perpetual Non-Cumulative Junior Subordinated Notes at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest.

Regulatory Capital Adequacy

Banco BTG Pactual believes that its working capital is sufficient for its present requirements and for the 12 months following the date of this Offering Memorandum.

Banco BTG Pactual must comply with capital requirements established by the Central Bank and CMN that follow principles recommended by the Basel Committee. The Basel Capital Accord is a risk-based guideline that establishes capital requirements for financial institutions. The main principle of the recommendation of the Basel Committee is that financial institutions should maintain a sufficient amount of capital to support the principal risks, including credit, market and operational risks, associated with the level of assets held in their balance sheets, calculated on a consolidated basis.

The regulations imposed by the Central Bank typically follow the guidance proposed by the Basel Committee. Brazilian financial institutions are still required to comply with standardized capital requirements with respect to their market, credit and operational risks.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was endorsed at the Seoul G20 Leaders' summit in December 2010. The Basel III Accord recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth.

In March 2013, the CMN and the Central Bank issued a regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution 4,192, determined, among other things, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the PR. The PR is used to determine the capital adequacy of Brazilian financial institutions and is represented by the sum of the Tier 1 capital and Tier 2 capital.

Once CMN Resolutions 4,192 and 4,193 became effective in October 2013, and assuming the amendments made to these resolutions also become effective, Tier 1 capital and Tier 2 began to be calculated according to the Basel III Accord as follows:

Tier 1 Capital. Tier 1 capital corresponds to the sum of Common Equity Tier 1 Capital (*Capital Principal*) and Additional Tier 1 Capital (*Capital Complementar*).

The Common Equity Tier 1 Capital (*Capital Principal*) generally corresponds to the sum of: (i) capital stock; (ii) reserves; (iii) unrealized gains; (iv) retained earnings; (v) creditor profit and loss account balances; (vi) deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 4,019 of September 29, 2011); and (vii) balance of positive adjustment in a market value of derivative financial instruments used for cash flow hedge, minus: (i) unrealized losses due to adjustments to equity valuation; (ii) stocks or any other financial instrument issued by the company itself and authorized to compose the Common Equity Tier 1 Capital (*Capital Principal*); (iii) retained losses; (iv) debtors profit and loss account balances; (v) balance of negative adjustment at a market value of derivative financial instruments used for cash flow hedge; and (vi) amounts corresponding to the prudential adjustments which are defined by CMN Resolution 4,192 as the following patrimonial elements: (a) goodwill paid in the acquisition of investments based on the expectation of future profits, net of deferred tax liabilities related to such assets; (b) intangible assets; (c) actuarial assets related to defined benefit pension funds, net of deferred tax liabilities related to such assets, to which the financial institution does not have full access; (d) the aggregate value, that exceeds 10% of the value ascertained as Common Equity Tier 1 Capital (*Capital Principal*) without accounting for the deductions related to the patrimonial elements described above in item (d) and below in items (e) and (g), of the: (1) direct or indirect investments, smaller than 10% of the equity of entities similar to non-consolidated entities financial institutions, insurance and reinsurance companies, capitalization companies and open-ended pension funds and (2) investments lower than 10% of the Common Equity Tier 1 Capital (*Capital Principal*) of institutions authorized to operate by the Central Bank or of foreign institutions deemed equivalent to financial institutions in Brazil, on instruments composing Common Equity Tier 1 Capital (*Capital Principal*) of institution not in the conglomerate; (e) direct or indirect shareholding interests exceeding 10% of the capital stock of entities compared to financial institutions, not consolidated, plus insurance companies, reinsurers, capitalization companies and open-ended private pension entities; (f) non-controlling shareholder interest in banking-licensed subsidiaries and foreign subsidiaries which exercise activities equivalent to a financial institution in Brazil; (g) tax credits resulting from temporary differences that depend on the generation of future taxable profits or revenue for their realization; (h) tax credits resulting from tax losses and a negative base of social contribution on net profits and those originated from such contribution related to calculation periods ended until

December 31, 1998; (i) deferred permanent assets; (j) investments greater than 10% of the Common Equity Tier 1 Capital (*Capital Principal*) of an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil, in Common Equity Tier 1 Capital (*Capital Principal*) instruments of institutions which do not belong to the same financial conglomerate; (k) the amount corresponding to investment in premises, controlled financial institution abroad or non-financial entity that is part of the conglomerate, in relation to which the Central Bank does not have access to sufficient information, data and documents for purposes of consolidated global supervision; (l) the negative difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); (m) participation of non-controllers in the capital of: (1) Brazilian subsidiaries not licensed by the Central Bank; and (2) foreign subsidiaries not deemed equivalent to financial institutions in Brazil; and (n) the negative difference between the amount provisioned and the adjustments made in connection with market-value assessment of financial instruments.

Pursuant to CMN Resolution 4,193, the Central Bank, since January 1, 2016, is allowed to require financial institutions to present an additional rate of Common Equity Tier 1 Capital (*Capital Principal*), calculated based on their Risk Weighted Assets (*Ativos Ponderados pelo Risco*, “RWA”). Such additional rate of Common Equity Tier 1 Capital (*Capital Principal*) is denominated Additional Principal Capital or ACP (*Adicional de Capital Principal*) and, according to CMN Resolution No. 4.443, of October 29, 2015, which amended CMN Resolution 4,193, corresponds to the sum of the Preserved ACP (*Adicional de Conservação de Capital Principal*), the Countercyclical ACP (*Adicional Contracíclico de Capital Principal*) and the ACP of Systemic Importance (*Adicional de Importância Sistêmica de Capital Principal*). ACP is calculated by applying certain percentage rates to Risk Weighted Assets. The Preserved ACP installment has a fixed value, resulting from the application of the following percentage rates to the RWA amount: (i) zero until 2015; (ii) 0.625% in 2016; (iii) 1.25% in 2017; (iv) 1.875% in 2018; and (v) 2.5% from 2019 onwards. The Countercyclical ACP and the ACP of Systemic Importance, in contrast, depend on calculation methodologies that consider variable factors. The value of the Countercyclical ACP depends on the phase of the economic-financial cycle, being, however, limited by the following maximum percentage amounts in regards to the RWA amount: (i) zero until 2015; (ii) 0.625% in 2016; (iii) 1.25% in 2017; (iv) 1.875% in 2018; and (v) 2.5% from 2019 onwards. The value of the ACP of Systemic Importance is bound to the systemic importance of each institution, being limited by the following maximum percentage amounts in regards to the RWA amount: (i) zero until 2016; (ii) 0.5% in 2017; (iii) 1% in 2018; and (iv) 2% from 2019 onwards. Also, it should be mentioned that the introduction of the ACP of Systemic Importance aims to reduce the odds of insolvency of a systemically important institution in the domestic sphere and the consequent impact on the stability of the financial system and the real economy. Non-compliance with the Additional Principal Capital requirements restricts: (i) the payment of variable remuneration to officers and administrators of the respective financial institution; (ii) the payment of dividends and interest on shareholder’ equity; (iii) the payment of net surplus and annual compensation to shareholders of credit cooperatives; (iv) the repurchase of shares, in any amount; and (v) any possible capital decrease.

Additional Tier 1 Capital. Additional Tier 1 Capital (*Capital Complementar*) corresponds to the sum of all amounts under instruments that adhere to all the following conditions: (i) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (ii) being paid in cash; (iii) having a perpetual nature; (iv) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital (*Capital Principal*), in case of dissolution of the issuing institution; (v) providing that the payment of their compensation shall only be made with funds resulting from profits and profits reserves subject to distribution in the last period of determination; (vi) providing for the suspension of payment of compensation that exceeds the funds available for this purpose; (vii) providing for the suspension of payment of compensation on a *pro rata* basis to the restriction imposed by the Central Bank to the distribution of dividends or other results regarding stocks, quotas or *quotas-partes*, eligible to Common Equity Tier 1 Capital (*Capital Principal*); (viii) providing for the suspension of payment of compensation in case the issuing institution presents insufficient compliance with the Additional Principal Capital (*Adicional de Capital Principal*) (in this case the suspension will be on a *pro rata basis*) or the payment results in noncompliance with the minimum requirements of Common Equity Tier 1 Capital (*Capital Principal*), Tier 1 Capital and PR; (ix) having their redemption or repurchase subject to Central Bank’s approval; (x) being only redeemable upon the issuer’s initiative; (xi) not being subject of any guarantee, insurance or other similar mechanism that forces or permits the payment or transfer of resources, directly or indirectly, from the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument; (xii) not presenting any provision

that directly or indirectly modifies the amount originally raised except for the cases of repurchase and redemption provided therein; (xiii) not providing for changes to the terms of payment after the issuance of the financial instrument, including observing the change of credit quality of the issuing institution; (xiv) not having their purchase directly or indirectly financed by the issuing institution; (xv) providing for a write-off in a minimum amount corresponding to the balance of the Tier 1 capital, or the conversion of the same amount in shares of the institution eligible to the Common Equity Tier 1 Capital (*Capital Principal*) in the event of (a) disclosure by the issuing institution in the form established by the Central Bank, that its Common Equity Tier 1 Capital (*Capital Principal*) is lower than 5.125% of its RWA; (b) execution of a commitment of contribution to the issuing institution if the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, occurs; (c) upon the imposition of intervention or RAET by the Central Bank on the issuing institution; or (d) upon Central Bank's decision on write-off or conversion according to the criteria specified in rules issued by the CMN; (xvi) providing that the occurrence of the situations in items (v), (vi), (vii), (viii), (xv) and (xviii) shall not be deemed as an event of default; (xvii) providing that compensation unpaid due to the provision of item (v) and the compensation related to the suspension period described in items (vi), (vii) and (viii) shall be deemed extinguished; and (xviii) providing that write-off or conversion of the debt will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital (*Capital Principal*) and RWA. From this amount, the following must be excluded: (i) amounts related to fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate); and (ii) shares of own issuance authorized to make up the Additional Tier 1 Capital (*Capital Complementar*) purchased directly, indirectly or otherwise, including through: (a) quotas of investment fund, proportional to their participation in the portfolio of the fund; (b) controlled entity deemed equivalent to a financial institution or controlled nonfinancial entity; or (c) operations with derivatives, including index derivatives.

Tier 2 Capital. Tier 2 capital corresponds to the sum of the amounts corresponding to: (a) the positive difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); and (b) instruments that comply with the following conditions: (i) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (ii) being paid in cash; (iii) prescribe a minimum gap of five years between the date of issuance and the maturity date and preclude the payment of amortizations before this interval; (iv) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital (*Capital Principal*) and the Additional Tier 1 Capital (*Capital Complementar*), in case of dissolution of the issuing institution; (v) having their early redemption or repurchase, even if performed indirectly by an entity in the conglomerate or by a non-financial controlled entity, subject to Central Bank's approval; (vi) being only redeemable upon the issuer's initiative; (vii) not being subject to any guarantee, insurance or other similar mechanism that forces or permits the payment or transfer of resources, directly or indirectly, from the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument; (viii) not presenting any provision that modifies deadlines or payment conditions agreed upon within the issue and the maturity of the instrument, including in accordance with the credit quality of the issuing institution; (ix) not having their purchase directly or indirectly financed by the issuing institution; (x) providing for a write-off or conversion of the same amount in shares of the institution eligible to the Common Equity Tier 1 Capital (*Capital Principal*) in the event of (a) disclosure by the issuing institution, in the form established by the Central Bank, that its Common Equity Tier 1 Capital (*Capital Principal*) is lower than 4.5% of its RWA; (b) execution of a commitment of contribution to the issuing institution if exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, occurs; (c) upon the imposition of intervention or RAET by the Central Bank on the issuing institution; or (d) upon Central Bank's decision on write-off or conversion, according to the criteria specified in rules issued by the CMN; (xi) providing that the occurrence of the situations in items (x) and (xii) shall not be deemed as an event of default or any other event that implies the early maturity of the issuer's debts; (xii) providing that write-off or conversion of the debt referred to in item (x) will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital (*Capital Principal*) and RWA. From this amount, the following must be excluded: (i) amounts related to fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate); and (ii) shares of own issuance authorized to make up Tier 2 capital purchased directly, indirectly or otherwise, including through: (a) quotas of investment fund, proportional to their participation

in the portfolio of the fund; (b) controlled entity deemed equivalent to a financial institution or controlled nonfinancial entity; or (c) operations with derivatives, including index derivatives.

In addition to the changes above relating to the calculation of the PR, this set of rules introduced the concept of quasi-financial institutions (*instituições assemelhadas*) and required consolidation of such quasi-financial institutions into the financial statements of financial institutions.

The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2022 and may require Banco BTG Pactual to increase its capital basis, which could negatively impact its results and adversely affect its ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, Banco BTG Pactual may be unable to meet the minimum capital adequacy requirements required by the Central Bank. Banco BTG Pactual may also be compelled to limit its credit operations, dispose its assets and/or take other measures that may adversely affect its business, financial condition and results of operations.

Please see “Regulatory Overview — The Brazilian Financial System and Banking Regulation” for more information on Regulatory Capital Adequacy.

Banco BTG Pactual’s Consolidated Capital Ratios

On February 23, 2017, CMN enacted Resolution No. 4,557, which unifies and expands the Brazilian regulation on risk and capital management for Brazilian financial institutions and other institutions authorized to operate by the Central Bank. The new rule is also an effort to incorporate into Brazilian regulation new recommendations from the Basel Committee on Banking Supervision. The rule provides that risk management must be conducted through an integrated effort by the relevant entity (i.e., not only must risks be analyzed on an individual basis, but financial institutions and other institutions authorized to operate by the Central Bank must also control and mitigate the adverse effects caused by the interaction between different risks). It also expands the rules and requirements on risk management governance and the competence and duties of the risk management officer.

The rule sets out different structures for risk and capital management which are applicable for different risk profiles, based on the risks profiles set out in the applicable regulation. This means a financial institution of smaller systemic importance can have a simplified structure of management, while institutions of larger complexity have to follow stricter protocols and implement the new rules until a closer deadline (180 days).

The following table sets forth additional information on Banco BTG Pactual’s capital ratios as of September 30, 2019 and 2018 and December 31, 2018, 2017 and 2016 according to CMN Resolution 4,192:

(Unaudited)	As of December 31,			As of September 30,	
	2016	2017	2018	2018	2019 ⁽¹⁾⁽²⁾
	<i>(in R\$ millions, except percentages)</i>				
Regulatory Capital (a)	19,637.4	17,142.7	14,886.4	14,878.2	20,652.2
Tier 1 Capital	16,216.3	14,773.2	13,073.2	12,778.8	16,510.6
Common Equity Tier 1 Capital	11,924.5	11,752.6	9,519.3	9,184.9	16,125.6
Additional Tier 1 Capital.....	4,291.8	3,020.6	3,553.9	3,593.9	385.0
Deductions	—	—	—	—	—
Tier 2 Capital	3,421.2	2,369.4	1,813.1	2,099.3	4,141.6
Total Risk Weighted Assets (b)	91,156.4	94,998.4	89,878.2	83,791.0	136,340.4
Credit risk.....	55,813.6	56,089.4	52,997.7	56,119.4	65,691.4
Operational risk.....	3,386.0	4,615.9	4,370.6	4,370.6	5,938.5
Market risk	31,956.9	34,293.1	32,509.9	23,301.0	64,710.5
Basel ratio - (a/b)	21.5%	18.0%	16.6%	17.8%	15.1%
Tier 1 Capital	17.8%	15.6%	14.5%	15.3%	12.1%
Tier 2 Capital	3.8%	2.5%	2.0%	2.5%	3.0%

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- (1) The capital ratios as of September 30, 2019 reflect the issuance of R\$400 million of financial bills (*letra financeira – LF*) that are Tier 2 Capital instruments, which as of the date of this Offering Memorandum remain subject to approval by the Central Bank and, when approved, will have a retroactive effect on our capital ratios.
 - (2) The capital ratios as of September 30, 2019 reflect the issuance of R\$385 million of Additional Tier I Capital instruments issued under the Programme in August 2019, which as of the date of this Offering Memorandum remain subject to approval by the Central Bank and, when approved, will have a retroactive effect on our capital ratios.

Subsidiary Capital Requirements

Banco BTG Pactual is subject to banking supervision and regulation on a global consolidated basis in Brazil under the Central Bank framework. Regulatory capital requirements are determined on a consolidated basis, including assets and liabilities of consolidated subsidiaries, even if such subsidiary is subject to the banking supervision of other regulators on an individual basis. In the case of Banco PAN, due to the fact that Banco BTG Pactual exercises joint control ownership, together with CaixaPar, the Central Bank determined that capital requirements and banking supervision will be exercised on a stand-alone basis. Banco PAN is recognized as an independent bank conglomerate by the Central Bank, and its capital requirements must be satisfied with Banco PAN's own capital. As mentioned above, Banco BTG Pactual purchased a co-controlling interest in Banco PAN. The effect of the transaction on the calculation of Banco BTG Pactual's regulatory capital is discussed above.

Through Banco BTG Pactual's subsidiaries in the United States, it is also subject to extensive regulation under U.S. law and regulations, including oversight by FINRA and the SEC. Through BTG Pactual Europe LLP, one of Banco BTG Pactual's operating entities authorized by the FCA to provide investment services in the United Kingdom, Banco BTG Pactual is additionally subject to the supervision of the FCA and related regulatory requirements in the United Kingdom. See "Risk Factors—Risks Relating to the Regulatory Environment—The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business," "Regulatory Overview—Regulation in the United States" and "Regulatory Overview—Regulation in the United Kingdom." Banco BTG Pactual's Chilean, Colombian, Peruvian, Mexican and Luxembourg operations are subject to regulatory capital requirements determined by the laws of such countries and their regulators, respectively, calculated based on their own capital considered individually.

Liquidity

Liquidity is essential to Banco BTG Pactual's business. Liquidity management is the set of policies and procedures Banco BTG Pactual put in place to ensure that it always has access to sufficient cash to meet its obligations, under normal circumstances and under severe market stress.

The most important principle of Banco BTG Pactual's liquidity management framework is the maintenance of a strong cash position – its liquidity buffer – at all times. Banco BTG Pactual's liquidity buffer is calculated in order to fulfill several potential scenarios of cash outflows, including expected and unexpected liquidity needs. Therefore, it established a minimum liquidity value with the objective of monitoring and anticipating a potential liquidity deterioration, as to survive a combined idiosyncratic and systemic stress test and ensure a Liquidity Coverage Ratio ("LCR") above the regulatory limit. The minimum survival horizon to the stress test, as well as the minimum horizon to ensure a LCR above the regulatory limit are parameters of the risk appetite of the Banco BTG Pactual liquidity risk management structure and are reviewed periodically.

In November 2017, the CMN, through Resolution No. 4,616, established the minimum value of the Net Stable Funding Ratio ("NSFR") and the terms for its compliance. Additionally, in December 2017, the CMN issued Circular No. 3,869 detailing the methodology for calculating the NSFR and its disclosure requirements. The NSFR corresponds to the ratio of the Available Stable Funding (ASF), which calculation is based on the financial institution's liabilities and shareholders' equity, and the amount of Required Stable Funding (RFS), which calculation is based on the financial institution's assets and non-recorded exposures. The NSFR is complementary to the Liquidity Coverage Ratio (LCR) and its main purpose is to encourage financial institutions to obtain stable financing for their investments in order to mitigate their long-term liquidity risks. In addition, the NSFR creates incentives to limit the financial institutions' overreliance on short-term wholesale funding and encourages a better

assessment of their long-term liquidity risk. As of the date of this Offering Memorandum, Banco BTG Pactual is in compliance with the NSFR ratio.

Banco BTG Pactual's balance sheet is in a large part composed of very liquid financial instruments, and it obtains funding from a diversified range of unsecured instruments from a broad range of sources. Also, Banco BTG Pactual maintains a contingency plan to manage its liquidity under severely adverse market conditions based on the imposition of constraints on its lending operations and on the reduction of its exposure to illiquid assets and the sell-off of liquid instruments.

In September 2014, Banco BTG Pactual issued US\$1.3 billion of perpetual non-cumulative junior subordinated notes with a fixed coupon of 8.750% per annum, callable on September 2019 or thereafter semiannually, which qualifies as Additional Tier 1 Capital (*Capital Complementar*). These notes were the target of a tender offer that concluded on December 6, 2017, pursuant to which Banco BTG Pactual repurchased US\$390.0 million in aggregate principal amount of these notes. Following the closing of the tender offer, US\$910 million in aggregate principal amount of our 8.750% perpetual non-cumulative junior subordinated notes remained available for trading on the Luxembourg Stock Exchange's Euro MTF, of which US\$678.1 million were held by our affiliates. On January 23, 2019, Banco BTG Pactual completed a successful consent solicitation to facilitate the substitution of the branch through which it acts as issuer of the notes, from its Luxembourg Branch to its Cayman Islands Branch. On September 18, 2019, Banco BTG Pactual, acting through its Cayman Islands Branch, redeemed all of the outstanding aggregate principal amount of the 8.750% Perpetual Non-Cumulative Junior Subordinated Notes at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest.

Under the terms of the notes eligible as regulatory capital, Banco BTG Pactual may, among other things, defer payment of any amounts due to Noteholders if it is not in compliance with, or such payment would cause it to not be in compliance with, operational limits applicable to Brazilian banks then in effect.

In the aftermath of challenges following the arrest of Mr. Esteves in November 2015, Banco BTG Pactual's management adopted a series of actions to maintain a conservative liquidity position and preserve capital. As part of these efforts, on December 4, 2015, Banco BTG Pactual executed a Memorandum of Understanding with FGC pursuant to which Banco BTG Pactual received a financial assistance line up to the amount of R\$6.0 billion, guaranteed by part of Banco BTG Pactual's loan portfolio and personally guaranteed by its Controlling Partners at a rate of Brazilian interest rate (SELIC) + 2% per annum, with maturity in December 2017. As of December 31, 2015, a total of R\$5.0 billion had been drawn under this credit line. In October 2016, Banco BTG Pactual announced that it had paid off the outstanding balance of the financial assistance loan obtained from FGC with the primary impact being the overall reduction in Banco BTG Pactual's unsecured funding base.

Also in December 2015, Banco BTG Pactual entered into the *Depósitos a Prazo com Garantia Especial* ("DPGE") program. This is a fixed income financial product, with no partial or anticipated maturity, that offers investors extended guarantees, in value terms, provided by the FGC in the case of an intervention, liquidation or insolvency recognized by the competent party of the financial institution. The program limit was approximately R\$2.5 billion, available until December 30, 2015, which is essentially related to the value of shareholders' equity and outstanding deposits. As of December 31, 2015, BTG Pactual had issued approximately R\$1.7 billion under the DPGE program.

In addition, from November 25, 2015 to December 31, 2016, Banco BTG Pactual sold assets and stakes in investments in the total amount of approximately R\$6 billion. Other measures to improve our liquidity following the challenges emanating from the allegations against Mr. Esteves include divestments in certain assets mentioned above, as well as selling positions from our credit portfolio, which is described elsewhere in this Offering Memorandum. In 2016, there were no material liquidity events other than renewal of certain lines of credit and funding.

In December 2017, Banco BTG Pactual issued US\$500 million non-cumulative senior notes under the Programme with a fixed coupon of 5.50% per annum maturing in January 2023.

In July 2018, Banco BTG Pactual issued through its subsidiary in Chile US\$63.0 million in bonds with the interest rate UF plus 1.6% per annum maturing in June 2021.

In February 2019, Banco BTG Pactual issued through its Cayman Islands Branch US\$600,000,000 aggregate principal amount of 7.750% Subordinated Notes due in February 2029.

In August 2019, Banco BTG Pactual issued through its Cayman Islands Branch R\$385,000,000 aggregate principal amount of 8.30% US\$ settled fixed rate notes due 2024 under the Programme.

In September 2019, Banco BTG Pactual issued through its Cayman Islands Branch an equity-linked note to BTG Pactual Holding in the nominal amount of CHF 599 million (equivalent to approximately US\$600.6 million as of the issue date thereof), which amount corresponds to the value of Banco BTG Pactual's interest in approximately 25% of the issued shares of EFG, as recorded in Banco BTG Pactual's financial statements as of September 30, 2019. See "Related Party Transactions—Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual's Interest in EFG".

Banco BTG Pactual intends to continue its funding activities by accessing funding from diversified sources in Brazil and abroad and issuing debt instruments and deposits in different markets, currencies and tenors. Banco BTG Pactual is subject to liquidity regulatory requirements imposed by the Central Bank, which include the monitoring of its liquidity position, liquidity stress scenarios and liquidity contingency plan.

In the process of aligning domestic regulation to the new Basel recommendations, starting in October 2015, Brazilian banks with total assets above R\$100 billion are required to report their liquidity coverage ratio ("LCR") to the Central Bank on a daily basis. In order to comply with LCR regulation, financial institutions must maintain enough high-quality liquid assets to withstand cash outflows for 30 days, in a stress scenario defined by the local banking supervisor. In accordance with the schedule set forth by Resolution 4,401, from February 27, 2015, the minimum required LCR went into effect starting at 60% and rising 10% per year until it reached and plateaued at 100% by January 2019 onwards.

The LCR corresponds to the ratio between the high quality liquid assets ("HQLA") and the total net outflows of cash in 30 days (Net Outflows), both calculated according to the Central Bank standard stress test scenario. According to CMN Resolution No. 4,401 and Central Bank Circular No. 3,749, 3,762 and 3,795, BTG Pactual was eligible for the LCR calculation and reporting starting from October 2015.

The LCR standard stress test scenario considers a combined idiosyncratic and market-wide shock that would result to the bank in a period of 30 days, among other:

- a partial loss of unsecured wholesale funding capacity;
- a partial loss of short-term financing;
- additional contractual outflows that would arise from a downgrade in the bank's public credit rating by up to and including three notches, including collateral posting requirements;
- increases in market volatility that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity shortfalls;
- unscheduled draws on committed but unused credit and liquidity facilities that the bank has provided to its clients; and
- the potential need for the bank to buy back debt or honor non-contractual obligations in the interest of mitigating reputational risk.

BTG Pactual holds stock in HQLA in order to have a ratio between this stock and the total net outflows and be in compliance with the Central Bank limits.

Our Indebtedness

The following table shows the composition of Banco BTG Pactual's funding as of the dates indicated:

	As of December 31,			As of September 30,
	2016	2017	2018	2019
	<i>(in R\$ millions)</i>			
Deposits.....	7,690.8	9,178.3	20,950.1	21,059.6
Demand deposits.....	128.6	441.3	287.3	415.9
Interbank deposits.....	226.1	136.8	378.4	417.8
Time deposits.....	7,336.1	8,600.2	20,284.4	20,225.9
Open market funding.....	24,904.0	33,890.2	35,575.0	31,541.6
Funds from securities issued and accepted.....	10,335.7	10,289.5	14,396.3	21,270.0
Interbank transactions.....	5.1	5.4	6.8	4.6
Loans and onlending.....	3,544.8	4,729.9	4,969.6	4,251.5
Subordinated debt.....	7,283.0	6,317.2	5,266.2	5,796.5
Debt instrument eligible to equity.....	4,305.2	3,043.3	3,579.5	2,487.8
Total.....	58,068.6	67,453.9	84,743.5	86,411.6

Demand Deposits

Banco BTG Pactual does not provide commercial banking services to its clients other than through its Banco PAN business unit. The cash balances maintained by its clients in demand deposits are seasonal, and typically result from the settlement of securities in connection with Banco BTG Pactual's sales and trading businesses. The volume of Banco BTG Pactual's demand deposits tend to vary, and are generally linked to the volume of transactions it settles for its clients. They can also be impacted by regulatory measures, or by certain taxes imposed on financial transactions, such as the IOF tax, that can cause Banco BTG Pactual's clients to delay certain cash transferes abroad. Demand deposits also include balances of money market deposits maintained by its clients with the Cayman Islands Branch.

As of September 30, 2019 and December 31, 2018, the balance of demand deposits from local and international clients totaled R\$415.9 million and R\$287.3 million, respectively. As of December 31, 2017, the balance of demand deposits totaled R\$441.3million as compared to R\$128.6 million as of December 31, 2016.

Interbank Deposits

Banco BTG Pactual receives interbank loans from Brazilian financial institutions in open market operations. The balance of Banco BTG Pactual's interbank deposits was R\$417.8 million as of September 30, 2019, R\$378.4 million as of December 31, 2018, R\$136.8 million as of December 31, 2017 and R\$ R\$226.1 million as of December 31, 2016.

Time Deposits

A significant portion of Banco BTG Pactual's funding is in the form of time deposits. Usually, Banco BTG Pactual's depositors are Brazilian companies, pension funds and HNWI. Most of its CDBs bear an interest rate equivalent to the CDI plus a spread. Banco BTG Pactual's balance of time deposits was R\$7,336.1 million as of December 31, 2016, R\$8,600.2 million as of December 31, 2017 R\$20,284.4 million as of December 31, 2018 and R\$20,225.9 million as of September 30, 2019. The amount of time deposits issued by Banco BTG Pactual increased significantly as a result of the better perception of clients in relation to the credit risk of Banco BTG Pactual and our strategy to increase our deposit base in order to fund the expansion of our credit portfolio.

The table below shows the composition of Banco BTG Pactual's time deposits issued by maturity as of the dates indicated:

(Unaudited)	As of December 31,			As of September 30,
	2016	2017	2018	2019
	(in R\$ millions)			
Up to 90 days	3,174.26	4,344.05	10,218.98	10,876.82
From 91 to 365 days.....	4,054.53	3,406.83	8,541.99	7,865.12
From 1 to 3 years.....	30.96	111.60	1,465.88	1,469.18
Over 3 years	76.39	737.67	57.53	14.74
Total	7,336.13	8,600.15	20,284.37	20,225.86

The table below shows the concentration of Banco BTG Pactual's time deposits issued by depositors by economic group as of the dates indicated:

(Unaudited)	As of December 31,			As of September 30,
	2016	2017	2018	2019
	(in R\$ millions, except Total Number of Depositors)			
Largest depositor.....	631.3	752.1	2,376	1,654.5
10 largest depositors.....	3,104.0	3,922.3	9,032	7,049.6
20 largest depositors.....	4,002.0	4,907.6	11,542	9,781.1
50 largest depositors.....	4,879.7	5,985.0	15,173	13,589.3
100 largest depositors.....	5,275.8	6,650.4	17,174	16,320.3
Total number of depositors.....	361	1,503	2,011	1,635

Open market funding

Banco BTG Pactual funds a significant portion of its portfolio through secured funding arrangements, such as repurchase agreements. Banco BTG Pactual maintains relationships with several market counterparties, such as financial institutions, prime brokers, institutional investors, asset managers, clearing agents, depositaries, central banks or other monetary authorities, through which it may obtain secured funding by placing significant portions of its portfolio of securities, especially government bonds, as collateral. Banco BTG Pactual's secured funding transactions are an important component of its overall funding strategy in the context of liquidity management. The total balance of repurchase transactions vary in line with changes in the amount of Banco BTG Pactual's total assets, and especially of its securities portfolio.

Banco BTG Pactual also maintains a balance of repurchase agreements in connection with reverse repurchase transactions (i.e., Banco BTG Pactual's match portfolio), through which it allows clients, such as its investment funds, to access money markets for overnight or term investments collateralized by prime, highly liquid government securities. As of September 30, 2019, December 31, 2018, 2017 and 2016 Banco BTG Pactual's own portfolio of repurchase transactions totaled R\$31,541.6 million, R\$35,575.0 million, R\$33,890.2 million and R\$24,904.0 million, respectively. Our open market funding remained at lower levels in 2016 as a result of our strategy to deleverage our balance sheet in connection with the events of November 25, 2015. In 2017, 2018 and as of September 30, 2019 our open market funding levels increased.

Funds from securities issued and accepted

Banco BTG Pactual's balance from securities issued and accepted was R\$10,335.7 million as of December 31, 2016, R\$10,289.5 million as of December 31, 2017, R\$14,396.3 million as of December 31, 2018 and R\$21,270.0 million as of September 30, 2019. Our securities issued and accepted increased as of September 30, 2019 mainly as a result of the issuance of financial bills and the issuance of equity-linked notes in the amount of CHF599 million, see "Related Party Transactions—Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual's Interest in EFG". Our securities issued and accepted increased as of December 31, 2018 compared to December 31, 2017 as a result of the issuance of medium term notes described below. Our securities issued and accepted remained stable as of December 31, 2017 compared to December 31, 2016 as Banco BTG Pactual issued US\$500.0 million in Senior Notes under the Programme and repurchased US\$390.0 million of its perpetual non-cumulative junior subordinated notes.

Banco BTG Pactual has notes outstanding both in Brazil and abroad, as follows:

- in December 2011, Banco BTG Pactual issued a series of notes in the total principal amount of R\$600 million. The notes will be amortized on a semi-annual basis from July 2017 to December 2021;
- in January 2013, Banco BTG Pactual issued, through its Cayman Islands Branch, US\$1.0 billion in senior notes under the Programme at a fixed coupon of 4.00% and maturing in January 2020;
- in September 2014, Banco BTG Pactual issued, through its Luxembourg Branch, US\$1.3 billion in perpetual non-cumulative junior subordinated notes at a fixed coupon of 8.75%, priced at 100.0%, and callable in 5 years. On December 6, 2017, we concluded a cash tender offer to repurchase US\$390.0 million in aggregate principal amount of these notes. Following the closing of the tender offer, US\$910 million in aggregate principal amount of our 8.750% perpetual non-cumulative junior subordinated notes remained available for trading on the Luxembourg Stock Exchange's Euro MTF, of which US\$678.1 million were held by our affiliates. On January 23, 2019, Banco BTG Pactual completed a successful consent solicitation to facilitate the substitution of the branch through which it acts as issuer of the notes, from its Luxembourg Branch to its Cayman Islands Branch. On September 18, 2019, Banco BTG Pactual, acting through its Cayman Islands Branch, redeemed all of the outstanding aggregate principal amount of the 8.750% perpetual non-cumulative junior subordinated notes at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest;
- in December 2017, Banco BTG Pactual issued US\$500.0 million in senior notes under the Programme at a fixed coupon of 5.500% and maturing in January 2023;
- in July 2018, Banco BTG Pactual issued, through its bank in Chile, US\$63.0 million in notes. The interest rate is UF + 1.6% and the notes mature in June 2021;
- in February 2019, Banco BTG Pactual issued, through its Cayman Islands Branch, US\$600,000,000 in aggregate principal amount of 7.750% subordinated notes due February 2029;
- in May 2019, Banco BTG Pactual issued, through its Cayman Islands Branch, COP 330.0 billion in aggregate principal amount of 7.39% notes due May 2022. As of May 23, 2019, the U.S. dollar equivalent of the aggregate principal amount in Colombian pesos was US\$98.8 million (translated for convenience only using the exchange rate as reported by the Central Bank of Colombia on May 23, 2019 for Colombian pesos into U.S. dollars of COP3,340.96 to US\$1.00); and
- in August 2019, Banco BTG Pactual issued under the Programme, through its Cayman Islands Branch, R\$385.0 million in aggregate principal amount of 8.30% U.S. dollar settled fixed rate notes due 2024.

The table below shows the composition of Banco BTG Pactual's funds from securities issued and accepted by type as of the dates indicated:

(Unaudited)	As of December 31,			As of
	2016	2017	2018	September 30,
	(in R\$ millions)			2019
Financial bills.....	6,865.3	4,772.1	6,338.2	8,826.1
Mortgage bonds/letters of credit for agribusiness.....	964.7	1,575.5	3,067.9	4,064.3
Medium term notes and credit-linked notes.....	2,494.1	3,865.7	4,812.3	8,163.3
Certificates of structured transactions - COE.....	11.7	76.3	177.9	216.3
Total	10,335.7	10,289.5	14,396.3	21,270.0

As of September 30, 2019, securities in Brazil were indexed to interest referenced rates (CDI) between 80% and 126% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. As of September 30, 2019, securities abroad had rates between 1.5% p.a. and 7.75% p.a.

As of December 31, 2018, securities in Brazil were indexed to interest referenced rates (CDI) between 82.0% and 115.0% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. As of December 31, 2018, securities abroad had rates between 2.4% p.a. and 13.6% p.a.

As of December 31, 2017, securities in Brazil were indexed to interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 5.8% p.a. to 8.1% p.a. As of December 31, 2017, securities abroad had rates between 3.17% p.a. and 8.0% p.a.

As of December 31, 2016, securities in Brazil were indexed to interest referenced rates (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a. As of December 31, 2016, securities abroad had rates between 1.45% p.a. and 8.0% p.a.

Loans and onlendings

The funding from loans and onlending consists of funding facilities, such as revolving credit facilities, trade finance and BNDES lines of credit, among others. As of September 30, 2019, the outstanding balance of these facilities was R\$4,251.5 million compared to R\$4,969.6 million as of December 31, 2018, R\$4,729.9 million as of December 31, 2017 and R\$3,544.8 million as of December 31, 2016. The decrease as of September 30, 2019 when compared to December 31, 2018 was mainly due to decreased loans from abroad. The increase in December 31, 2018 when compared to December 31, 2017 was mainly due to increased loans from abroad. The increase in December 31, 2017 when compared to December 31, 2016 was mainly due to increased loans from abroad. See “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations” above.

Certain Indebtedness of the Issuer

On May 31, 2017, Banco BTG Pactual, acting through its Cayman Islands branch, entered into a margin loan agreement, for an aggregate total amount of CHF60.0 million with Deutsche Bank AG, London Branch as the lender, administrative agent and calculation agent and BTGP-BSI as the pledgor, bearing interest at 3.75% per annum plus the LIBOR rate and maturing in May 2020. As part of this transaction, shares of EFG were pledged as collateral. This loan was repaid in connection with the proposed partial transfer of Banco BTG Pactual's interest in EFG (see “Related Party Transactions—Proposed Partial Transfer of Banco BTG Pactual's Stake in EFG to BTG Pactual Holding”).

On December 14, 2017, Banco BTG Pactual, acting through its Cayman Islands branch entered into a margin loan agreement for an aggregate total amount of US\$145.0 million with Deutsche Bank AG, London Branch as the lender, administrative and calculation agent and BTGP-BSI as the pledgor, bearing interest at 3.25% per annum plus the LIBOR rate and maturing in December 2019. As part of this transaction, shares of EFG were pledged as collateral. In connection with this margin loan agreement, our Cayman Islands branch, executed a note

transfer agreement with Deutsche Bank AG, London Branch, under which its 4.00% senior unsecured notes due 2020 were transferred to each creditor, on a pro rata basis, as stipulated in the margin loan agreement. This loan was repaid in connection with the proposed partial transfer of Banco BTG Pactual's interest in EFG (see "Related Party Transactions—Proposed Partial Transfer of Banco BTG Pactual's Stake in EFG to BTG Pactual Holding").

On August 31, 2018, Banco BTG Pactual, acting through its Cayman Islands branch, entered into a margin loan agreement, which was amended on January 11, 2019, for an aggregate total amount of US\$42.2 million with Deutsche Bank AG, London Branch as the lender, administrative and calculation agent, and Deutsche Bank S.A. – Banco Alemão as the collateral agent, bearing interest at 2.60% per annum plus the LIBOR rate and maturing in August 2022. Concurrently, our Cayman Islands branch entered into a collateral agreement under which real estate receivable certificates of the 26th series of the 5th issuance by GAIA Securitizadora S.A. was pledged as collateral to the creditors of the margin loan agreement.

Subordinated debt and debt instrument eligible as equity

Banco BTG Pactual's subordinated debt and debt instruments held as equity was R\$11,588.2 million as of December 31, 2016, R\$9,360.5 million as of December 31, 2017, R\$8,845.7 million as of December 31, 2018 and R\$8,284.3 million as of September 30, 2019. Under the terms of the subordinated notes, Banco BTG Pactual may, among other things, defer payment of any amounts due to noteholders if it is not in compliance with, or such payment would cause it to not be in compliance with, operational limits applicable to Brazilian banks then in effect.

Debt eligible to equity

In September 2014, Banco BTG Pactual completed a milestone with the issuance of US\$1.3 billion of perpetual non-cumulative junior subordinated notes, through its Luxembourg Branch, at a fixed coupon of 8.750% per annum, qualifying as additional Tier 1 Capital. This was the first issuance of perpetual notes from a private Brazilian bank following the new regulatory capital rules (Basel III). The interest is payable semi-annually and is unsecured and subordinated. The notes are callable on September 2019 or thereafter semiannually. On November 1, 2017, we commenced a cash tender offer to repurchase up to US\$390.0 million in aggregate principal amount of these notes that was concluded on December 6, 2017. Following the closing of the tender offer, US\$910 million in aggregate principal amount of our 8.750% perpetual non-cumulative junior subordinated notes remained available for trading on the Luxembourg Stock Exchange's Euro MTF, of which US\$678.1 million were held by our affiliates. On January 23, 2019, Banco BTG Pactual completed a successful consent solicitation to facilitate the substitution of the branch through which it acts as issuer of the notes, from its Luxembourg Branch to its Cayman Islands Branch. On September 18, 2019, Banco BTG Pactual, acting through its Cayman Islands Branch, redeemed all of the outstanding aggregate principal amount of the 8.750% perpetual non-cumulative junior subordinated notes at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest.

Dividends and other distributions

On December 28, 2015, Banco BTG Pactual recorded R\$492.8 million as interest on shareholders' equity, which was approved at the board of directors' meeting held on December 28, 2015. Due to the events of November 25, 2015, the payment of interests was approved and occurred on June 2016.

On June 30, 2016, Banco BTG Pactual recorded R\$500.0 million as interest on shareholders' equity. This amount was approved at the board of directors' meeting held on June 30, 2016. The payment of the interests occurred on November, 2016.

On December 29, 2016, Banco BTG Pactual recorded R\$890 million as interest on shareholders' equity, which was approved at the special shareholders' meeting held on April 28, 2017. This amount was paid in January 2017.

On June 30, 2017, Banco BTG Pactual recorded R\$630.0 million as interest on shareholders' equity. This amount was approved at the board of directors' meeting held on June 30, 2017 and the payment occurred in August 2017.

On December 28, 2017, Banco BTG Pactual recorded R\$609.0 million as interest on shareholders' equity. This amount was approved at the board of directors' meeting held on December 28, 2017 and paid in March 2018.

On August 7, 2018, Banco BTG Pactual recorded R\$592.5 million as interest on shareholders' equity. This amount was approved at the board of directors' meeting held on August 7, 2018 and paid in August 2018.

On December 27, 2018, Banco BTG Pactual recorded R\$604.5 million as interest on shareholders' equity. This amount was approved at the board of directors' meeting held on December 27, 2018 and paid in February 2019.

On August 5, 2019, Banco BTG Pactual recorded R\$624.0 million as interest on shareholders' equity. This amount was approved at the board of directors' meeting held on August 5, 2019 and paid on August 15, 2019.

Use of Funds

Banco BTG Pactual mainly uses its funds to carry out the activities of its sales and trading, corporate lending and principal investments business units, which provide, among other things, structured and other loans and take proprietary positions through market-making in, and trading of, fixed income and equity products, currencies, commodities, and swaps and other derivatives. The majority of its portfolio is comprised of highly liquid instruments. See “—Liquidity—Open market funding” above.

The following table presents Banco BTG Pactual's asset allocation in its consolidated balance sheet as of the dates indicated:

Assets	As of December 31,						As of September 30,			
	2016	% of total assets	2017	% of total assets	2018	% of total assets	2018	% of total assets	2018	% of total assets
<i>(in R\$ millions)</i>										
Cash at banks.....	674	0.6%	4,347	3.4%	979	0.7%	932	0.6%	1,057	0.6%
Interbank investments....	20,753	18.6%	27,792	22.0%	43,497	31.9%	61,326	37.4%	32,561	19.4%
Securities and derivative financial instruments..	37,486	33.5%	42,288	33.4%	29,992	21.9%	40,510	24.7%	40,665	24.2%
Interbank transactions....	2,235	2.0%	1,704	1.3%	1,636	1.2%	2,641	1.6%	1,240	0.7%
Loans	9,513	8.5%	13,026	10.3%	18,220	13.4%	16,964	10.4%	24,330	14.5%
Securities trading and brokerage	2,791	2.5%	3,598	2.8%	3,877	2.8%	7,472	4.6%	4,684	2.8%
Other receivables	29,525	26.4%	28,171	22.3%	29,990	21.9%	27,754	16.9%	54,783	32.6%
Other assets	154	0.1%	127	0.1%	259	0.2%	235	0.1%	287	0.2%
Permanent assets.....	8,641	7.7%	5,537	4.4%	9,197	6.7%	6,023	3.7%	8,378	5.0%
Total assets	111,772	100.0%	126,592	100.0%	137,646	100.0%	163,856	100.0%	167,986	100.0%

Mandatory Deposits with the Central Bank

Mandatory deposit requirements are an integral part of the monetary policy framework of the Central Bank which requires financial institutions to deposit a certain amount of cash, or place Brazilian government bonds as collateral, in proportion the balances of demand or term deposits obtained from clients and counterparties.

Mandatory deposit requirements are generally calculated based on the moving averages of demand or time deposits. Banco BTG Pactual complies with the requirements above by holding cash deposits which amounted to an average of R\$1,421.9 million for the nine months ended September 30, 2019.

Contractual Obligations

The tables below present the maturity and balances of Banco BTG Pactual's significant contractual financial obligations as of September 30, 2019:

(Unaudited)	As of September 30, 2019					
	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
	<i>(in R\$ millions)</i>					
Deposit	11,525,875	7,944,109	1,474,984	14,556	100,068	21,059,592
Open market funding	28,982,246	2,314,507	158,171	—	86,652	31,541,576
Funds from securities issued and accepted	884,982	4,027,752	10,280,198	2,755,483	3,321,601	21,270,016
Loans and onlending	576,381	499,108	167,965	72,770	2,935,249	4,251,473
Subordinated debts and subordinated debts eligible to equity	702,262	702,262	3,089,259	210,145	3,580,330	8,284,258
Total	42,671,746	15,487,738	15,170,577	3,052,954	10,023,900	86,406,915

In addition, the table below presents the maturity and balance of Banco BTG Pactual's additional contractual obligations with respect to derivative financial instruments:

(Unaudited)	Up to 6 months	6 to 12 months	Over 1 year	Total
	<i>(in R\$ millions)</i>			
Derivative financial instruments.....	2,617.3	658.1	1,948.1	5,224.5

Commitments

Banco BTG Pactual has entered into agreements related to investment opportunities, mainly in the private equity sector, pursuant to which it has provided unfunded commitments in its capacity as limited partner in private equity funds. Banco BTG Pactual manages and invests in these entities as part of its investment portfolio. As of September 30, 2019 and December 31, 2018, 2017 and 2016, the total amount of its undrawn commitment was R\$352 million, R\$967 million, R\$1,045 million and R\$1,024 million, respectively, consisting mainly of its investments in BTG Pactual Brazil Infrastructure Fund II LP (FIP Infrastructure fund) and Timberland funds. The drawdown notice for these investments is subject to investment opportunities identified and agreed upon in the ordinary course of business and, therefore, it is difficult to estimate precisely the cash outflows relating to these commitments. Banco BTG Pactual did not record any amounts relating to commitments on its balance sheets for any period.

Capital Expenditures

Banco BTG Pactual's main capital investments for the nine months ended September 30, 2019 and in 2018, 2017, 2016 amounted to R\$27.7 million, R\$21.0 million, R\$33.8 million and R\$21.9 million, respectively. For the nine months ended September 30, 2019, the expenditures were related to investments in premises (21%), software (30%) and hardware (49%). In 2018, the expenditures were related to investments in premises (25%), software (21%) and hardware (54%). In 2017, the expenditures were related to investments in premises (27.7%), software (29.2%) and hardware (43.1%). In 2016, the expenditures were related to investments in premises (32.5%), software (27.5%) and hardware (40.1%).

Off-Balance Sheet and Other Transactions

Except for (i) the co-obligation and bank guarantees that Banco BTG Pactual provides to clients for a fee, (ii) credit assignments in which it retains the credit risk in the ordinary course of its business via its FIDC and (iii) its ongoing obligations to Fundo Garantidor de Créditos (the "FGC") in connection with its acquisition of Banco PAN following the novation of this liability to BTG Pactual Holding (see "Related Party Transactions—Transfer of Neoport from Banco BTG Pactual to BTG Pactual Holding"), Banco BTG Pactual does not have any other transaction where there is exposure to credit risk. In addition, Banco BTG Pactual does not control any company that is not consolidated or whose results are not otherwise reflected in its financial statements. Its total amount of

bank guarantees outstanding was R\$33,503.64 million, R\$36,834.2 million, R\$29,531.5 million and R\$35,969.5 million as of September 30, 2019 and December 31, 2018, 2017 and 2016, respectively.

Risk Management

In the ordinary course of its business, Banco BTG Pactual is exposed to various risks inherent to investment banking activities. The way it manages these risks directly affect its activities and operations and, consequently, its results.

Some of the most significant risks to which it is exposed to are the following:

- market risk;
- credit risk and counterparty risk;
- liquidity risk;
- operational risk;
- reputational risk;
- tax risk; and
- legal and regulatory risk.

See “Risk Factors—Risks Relating to Our Business and Industry.” The manner in which we manage and identify these risks is essential for its profitability. Banco BTG Pactual’s management of these risks involves different levels of its management team and encompasses a series of policies and strategies.

Banco BTG Pactual seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, environmental, tax and legal reporting systems. In addition, a number of its committees are responsible for monitoring risk exposures and for general oversight of its risk management process, as described further below. Banco BTG Pactual believes that the close involvement of its various committees (including their subcommittees) with the ongoing management and monitoring of its risks helps it foster its culture of rigorous risk control throughout the organization. Banco BTG Pactual’s committees consist of senior members of its business units and senior members of its control departments.

Banco BTG Pactual believes that the structure of its committees allows it to engage the whole organization and ensure decisions are readily and effectively implemented. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of its risks; (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products; (iii) Risk Committee which is generally responsible for overseeing and assessing our risk tolerance, managing our financial, capital and operational risks, including market, credit, liquidity and social-environmental risks, and maintenance of the quality and adequacy of our capital management, and its subcommittees; (a) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by the Risk Committee; (b) Market Risk Committee, which is responsible for monitoring market risk, including utilization of its risk limits, and for approving exceptions to such limits; (c) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework; (iv) Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering or compliance matters; (v) CFO Committee, which is responsible for monitoring its liquidity risk, including its cash position and balance sheet usage, and for managing its capital structure; (vi) Audit Committee, a statutory and independent body established to comply with the CMN and CVM requirements, which is responsible for supervising the activities of the internal and independent auditors, evaluating the adequacy of the internal controls and governance practices, and assessing whether our books and records are handled appropriately; and (vii) Capital and Risk Committee, an independent body established to comply with the CMN requirement, responsible for supervising the chief risk officer’s activities and for assessing our risk management functions, including capital risk.

Market Risk

Banco BTG Pactual identifies market risk by assessing the impact on the value of its assets and liabilities of variations in market risk factors such as interest rates, exchange rates, underlying prices and indexes. Since most of its assets and liabilities are subject to market risk, Banco BTG Pactual has developed its own tools to make it possible to carry out real-time analysis of the exposures on its portfolio. These tools enable it to perform analysis of the impact of different scenarios in its portfolio, taking into consideration severe market movements observed in distressed markets in the past, or its projected stress scenarios. These analyses are integral to its risk management. Banco BTG Pactual measures its market risk exposure using several methodologies of VaR, Stress Test and sensitivity analysis, which are consistently applied to all positions in its inventory, allowing the comprehensive assessment of market risks across its different portfolios. The risk reports are tailored to better support the management of its risk exposure within each of its various business units and to allow proper senior management awareness of all relevant risk to which Banco BTG Pactual may be exposed. Banco BTG Pactual uses a rigorous set of risk limits to manage its overall risks and to control the risk levels for each business unit by implementing portfolio limits (VaR and Stress Test), concentration limits (risk factor, regional, issuer) and operational limits (control or liquidity restrictions). These limits are periodically reviewed by Banco BTG Pactual's Risk Committee and usage is tracked and reported on a daily basis.

Market risk exposure can arise as a result of market-making, proprietary trading, underwriting, specialist and investing activities. Categories of market risk include exposures to interest rates, equity prices, currency rates and commodity prices. A description of each market risk category is set forth below:

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads;
- equity price risks result from exposures to changes in prices and volatilities of individual equities, equity baskets and equity indices;
- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates; and
- commodity price risks result from exposures to changes in spot prices, forward prices and volatilities of commodities, such as electricity, natural gas, crude oil, petroleum products, and precious and base metals.

Market Risk Control

The management of market risk is primarily the responsibility of Banco BTG Pactual's business units. If a business unit lacks specific power to manage a material market risk, it must transfer this market risk to a business unit permitted to hold such positions. In addition, Banco BTG Pactual's organizational structure also includes an area devoted to market risk control, which reports directly to its management and is independent from its business units.

The main responsibilities of the market risk area include the following:

- identifying and measuring market risks through the calculation of VaR, stress tests, the calculation of portfolio exposures and sensitivity analyses, which can be analyzed in real-time using the systems we have developed;
- producing daily reports on risk values for senior management, including the senior management of each of its business units, which Banco BTG Pactual believes provide the necessary support for proper risk management;
- establishing, controlling and reviewing the risk policies in effect, including risk limits;
- establishing and reviewing the risk calculation models Banco BTG Pactual uses;

- establishing and reviewing the stress test hypothetical scenarios;
- generating backtesting analyses, on a monthly or more frequent basis, with input of the actual results, in order to verify the risk estimates generated by Banco BTG Pactual's internal system, as well as the parameters used in the calculations; and
- regularly monitoring incurred risks and investigating any apparent anomaly, including: (i) inconsistencies between reported risks and effective results (which, in addition to backtesting exceptions, include any situation involving a significant divergence between them); (ii) inconsistencies between incurred risks and business unit strategies; and (iii) positions that are not being actively managed.

Limits

In order to align the risks incurred by Banco BTG Pactual's business units with anticipated results, and taking into consideration its capital basis, each business unit is required to comply with established market risk limits. The market risk limits are managed pursuant to the following risk measures:

- portfolio limits, which include: (i) VaR limits of 95% (1 day) per portfolio and per business unit; and (ii) hypothetical stress test limits per regional business unit;
- concentration limits, which include exposure limits, such as the concentration of risk factors per countries, regions and issuers; and
- operational limits, which include limits used to cover occasional material risks that are not adequately captured by traditional metrics, including exposure to unexpected and unperceivable risk factors. They may also be defined when required by specific market conditions, including liquidity, or control deficiencies.

VaR, stress test and exposure limits are disclosed daily in the consolidated risk report issued by the market risk area, which includes the observations of each of Banco BTG Pactual's business units. The report is sent to the individuals responsible for each business unit and is the main tool for monitoring the limits.

Limits are reviewed on a quarterly or more frequent basis, taking into consideration both the historical risk use and the average and maximum expected exposure of each business unit. The market risk area proposes a limit, mainly considering Banco BTG Pactual's current capital base, and submits the document for the risk committee's approval.

Loss Control

All positions have a stop loss level that is set forth by each business unit and monitored by the market risk area.

VaR

VaR is a measure of the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. Along with Stress Testing, VaR is used to measure the exposure of Banco BTG Pactual's positions to market risk. Banco BTG Pactual uses historical simulation with full re-pricing of positions for the VaR computation, preserving real distributions and correlation between assets, not making use of Greek approximations and normal distributions. Banco BTG Pactual's VaR can be measured and reported according to different time horizons, historical look-back windows and confidence levels. The accuracy of the risk system is tested through daily back-testing procedure that compares the adherence between VaR estimations and realized profits and losses.

For the VaR numbers reported below, a one-day time horizon, a 95.0% confidence level and a one-year look-back window were used. A 95.0% confidence level means that there is a 1 in 20 chance that daily trading net revenue will fall below the VaR estimated. Thus, shortfalls from expected trading net revenue on a single trading

day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by significant amounts and they can also occur more frequently or accumulate over a longer time horizon, such as a number of consecutive trading days. Given its reliance on historical data, the accuracy of VaR is limited in its ability to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions can produce materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. As previously stated, Banco BTG Pactual uses “Stress Test” modeling as a complement of VaR in its daily risk management activities.

The following table sets forth Banco BTG Pactual’s average daily VaR for the years and the period indicated:

(Unaudited)	As of December 31,			For the nine months ended September 30,	
	2016	2017	2018	2018	2019
	<i>(in R\$ millions, except percentages)</i>				
Total average daily VaR	184.8	117.6	82.7	79.3	142.6
Average daily VaR as % of average equity	0.99%	0.65%	0.44%	0.42%	0.72%

In 2017, Banco BTG Pactual’s total average daily VaR decreased from R\$184.8 million in 2016 to R\$117.6 million in 2017 as a result of a decrease in the exposure to the foreign exchange rate markets. In 2018, Banco BTG Pactual’s total average daily VaR decreased from R\$117.6 million in 2017 to R\$82.7 million in 2018 as a result of a risk reduction on our Brazilian equities desk prior to the Brazilian elections. For the nine months ended September 30, 2019, Banco BTG Pactual’s total average daily VaR increased from R\$79.3 million for the nine months ended September 30, 2018 to R\$142.6 million for the nine months ended September 30, 2019, mainly driven by a risk increase on our rates and foreign exchange desks. As Banco BTG Pactual has outlined in the past, such variations are a characteristic of its business model, in which its average VaR may vary, from time to time, due to its perceptions concerning capital deployment opportunities in the various markets in which Banco BTG Pactual operates.

Credit Risk

Credit risk represents the loss that Banco BTG Pactual would incur if a counterparty or an issuer of securities or other instruments it holds fails to perform under its contractual obligations, or upon a deterioration in the credit quality of third parties whose securities or other instruments, including over-the-counter derivatives, Banco BTG Pactual holds. Banco BTG Pactual’s exposure to credit risk principally arises through its trading, investing activity and financing activities. It attempts to manage the risk exposure by: (i) entering into agreements that enable it to obtain collateral from a counterparty on an upfront or contingent basis; (ii) seeking third party guarantees of the counterparty’s obligations; and/or (iii) transferring its credit risk to third parties using options, swaps and other derivatives contracts on the exchanges, particularly on the B3 Exchange. The following table sets forth the distribution, by credit rating, of Banco BTG Pactual’s credit exposures as of September 30, 2019 to financial instruments, excluding derivatives and securities under trading activities.

The ratings shown below reflect Banco BTG Pactual's internal ratings assessment, consistently applied in accordance with the Central Bank standard ratings scale:

(Unaudited) Rating	As of September 30, 2019 (in R\$ millions)
AA.....	25,228
A	10,348
B.....	8,578
C.....	1,335
D	1,621
E.....	774
F.....	981
G	339
H	195
Total	49,399

Liquidity and Funding Risk

Liquidity is of critical importance to companies in the financial services sector. Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances. Accordingly, Banco BTG Pactual has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both specific and broader industry or market liquidity events. Its principal objective is to be able to fund Banco BTG Pactual and to enable its core businesses to continue to generate revenue, even under adverse circumstances. For additional information, see “—Liquidity” above.

Reputational Risk

Banco BTG Pactual is also subject to reputational risks. For a description of such risk, see “—Principal Factors Affecting Banco BTG Pactual's Financial Condition and Results of Operations—Reputational Risk” and “Risk Factors.”

Operational Risk

Operational risk is defined by the Basel II committee as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Legal risks include, but are not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. Operational risk is relevant to every aspect of the business and covers a wide spectrum of issues, such as, losses arising through fraud, unauthorized activities, errors, omission, inefficiency, systems failure or from external events.

The management of operational risk comprises the identification, assessment, monitoring and control of operational risk in order to maintain exposure to losses within acceptable level and to protect Banco BTG Pactual from foreseeable future losses. The Operational Risk Framework (“ORF”) illustrates the management process of operational risks, which must be followed by all stakeholders within the company's activities.

The application of the ORF and its associated processes, as the effective implementation of the Operational Risk Management and Control Principles, is a governance requirement for Banco BTG Pactual according to international standards and subject to regulatory demands. As a general guideline, this requirement applies to all activities and entities related to the core banking and finance business of Banco BTG Pactual Group. As new activities are undertaken or new entities are formed, operational risk should be involved to determine the applicability of the Operational Risk Framework and its organizational elements.

As the first line of defense, operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies. Operational management is responsible for maintaining effective primary internal controls and for executing risk and control procedures on a day-to-day basis. Operational risk and internal control is the responsibility of all employees and business management,

supported by the ORF and functional areas. Effective operational risk management and control is fundamental to the interests of stakeholders. Regulators and rating agencies assess the approach to operational risk and expect a high level of management and control. Thus, operational risk management and control is critical to avoid reputational issues.

The second line of defense includes the global risk functions, such as operational risk. It is responsible for ensuring that the risk level is within the risk appetite and includes a risk management function that facilitates and monitors the implementation of effective risk management practices by operational management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization.

Tax Risk

Tax risk includes the risk of exposure to fines, penalties, judgments, damages and/or settlements in connection with regulatory assessment as a result of non-compliance with applicable legal and regulatory requirements. See “—Principal Factors Affecting Banco BTG Pactual’s Financial Condition and Results of Operations—Tax Risk.”

Legal and Regulatory Risk

Banco BTG Pactual is subject to significant legal and regulatory risks. See “Risk Factors—Risks Relating to Our Business and Industry” and “Risk Factors—Risks Relating to the Regulatory Environment.” Its legal and compliance departments are responsible for mapping, controlling and preventing these risks by supporting all of its business units and administrative areas. Banco BTG Pactual’s legal department is divided into groups specialized in investment banking, asset management, principal investments, trading, wealth management, litigation and corporate affairs. Its compliance department is responsible for the development and maintenance of its internal controls regarding regulatory matters such as anti-money laundering, information barriers and securities trading restrictions, as well as conducting training on regulatory matters. The most important risks that Banco BTG Pactual potentially faces are managed with the involvement of two or more members of its Senior Management Team.

BUSINESS

Overview

We are a financial institution with origin and headquarters in Brazil, acting in the main Latin American markets. We have approximately 2,400 professionals providing services of investment banking, asset management and wealth management. Through a platform with high capability of international distribution, we provide a comprehensive range of financial services to a regional and global client base, which main focus is the large corporations, institutional investors, governments and high net worth individuals (“HNWI”).

Founded in 1983, we consider that our more than three-and-a-half-decade experience and our firmly established brand are key success factors in our decision to explore new opportunities in the retail banking market, leveraged by technological innovations. Our first incursion in this market was the launch in January 2016 of BTG Pactual Digital, an online investment platform dedicated to retail. Combined with other initiatives, BTG Pactual Digital will integrate our digital retail platform that, under a unified and exclusively dedicated leadership, will comprise: (a) investment, credit and banking services solutions to retail; (b) credit and other banking services to small and medium-sized businesses; (c) distribution of insurance; (d) investment in Banco PAN; (e) training in data and investment content analysis; and (f) boostLAB, the scale-ups accelerator and business originator.

We operate as a meritocratic partnership, which currently consists of 247 Partners. We have local coverage in six of the main cities in Brazil, including São Paulo and Rio de Janeiro, in addition to Chile, Colombia, Mexico, Peru and Argentina. We also have strategic presence in New York, Miami and London, focused on distribution of a wide variety of banking products in Latin America and managing global clients’ funds. We occupy a leadership position in the Brazilian market and, as a result of our expansion and strategic focus on Latin America, we have been reaching an increasing business volume in Chile and Colombia.

Subsidiaries

As of September 30, 2019, our principal subsidiaries were the following:

	Share (%) of total capital	Activity	Jurisdiction
<i>Direct subsidiaries</i>			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários.....	99.99	Asset Management	Brazil
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	99.99	Equities Broker-Dealer	Brazil
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários.....	99.99	Equities Broker-Dealer	Brazil
BTG Pactual Holding Participações S.A.	99.99	Holding Company	Brazil
BTG Pactual Holding Internacional S.A.	99.99	Holding Company	Brazil
BTG Pactual Overseas Corporation.....	100.00	Holding Company	Cayman
BW Properties S.A.	72.09	Real Estate Business	Brazil
BTG Pactual Holding de Seguros Ltda.....	99.99	Holding Company	Brazil
BTG Pactual Cayman International Holding Limited.....	100.00	Holding Company	Cayman
Banco BTG Pactual Luxembourg S.A.....	100.00	Holding Company	Luxembourg
BTG Pactual Corretora de Seguros Ltda.	100.00	Insurance	Brazil
Banco Sistema S.A.	99.11	Bank	Brazil
BTGP-BSI Limited	100.00	Holding Company	UK
Enforce Gestão de Ativos S.A.....	70.00	Asset Management	Brazil
BTG Pactual Corretora de Resseguros Ltda.	100.00	Insurance	Brazil
ZB Consultoria Ltda.....	99.99	Service Provider	Brazil

Indirect subsidiaries

	Share (%) of total capital	Activity	Jurisdiction
BTG Pactual Gestora de Investimentos Alternativos Ltda.	99.98	Private Equity Asset Management Services	Brazil
BTG Pactual WM Gestão de Recursos Ltda.....	99.99	Wealth Management Asset Management Services	Brazil
BTG Pactual Gestora de Recursos Ltda.....	99.99	Private Equity Asset Management Services	Brazil
BTG Pactual Corporate Services Ltda.....	99.99	Financial Services Advisory	Brazil
BTG Pactual NY Corporation	100.00	Holding Company	USA
BTG Pactual Global Asset Management Limited.....	100.00	Asset Management	Bermuda
BTG Pactual Europe LLP.....	100.00	Asset Management	UK
BTG Pactual Asset Management US, LLC	100.00	Asset Management	USA
BTG Pactual US Capital, LLC	100.00	Brokerage and Clearing Services	USA
BTG Pactual Asia Limited	100.00	Asset Management	Hong Kong
BTG Global Asset Management (UK) Limited	100.00	Holding Company	UK
BTG Pactual Resseguradora S.A.....	100.00	Insurance	Brazil
BTG Pactual Vida e Previdência S.A.	100.00	Insurance	Brazil
Banco BTG Pactual Chile S.A.	100.00	Bank	Chile
BTG Pactual Chile SPA	100.00	Holding Company	Chile
BTG Pactual Chile Capital S.A.	100.00	Holding Company	Chile
BTG Pactual Chile Capital S.A. Corredores de Bolsa	100.00	Broker-Dealer	Chile
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A.	100.00	Asset Management	Chile
BTG Pactual Chile Capital S.A. Administradora General de Fondos.....	100.00	Fund Administration	Chile
BTG Pactual Chile Servicios Financieros S.A.....	100.00	Advisory Services	Chile
Inmobiliaria BTG Pactual Chile Limitada.....	100.00	Real Estate	Chile
BTG Pactual Chile S.A. Administración de Activos	100.00	Fund Administration Services	Chile
BTG Pactual Chile S.A. Compañía Seguros de Vida	100.00	Insurance	Chile
BTG Pactual Holding Delaware LLC.....	100.00	Holding Company	Delaware
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	100.00	Broker-Dealer	Peru
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion.....	100.00	Asset Management	Peru
BTG Pactual Perú S.A.C.	100.00	Broker-Dealer	Peru
BTG Pactual S.A. Comisionista de Bolsa.....	99.70	Broker-Dealer	Colombia
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.....	99.70	Asset Management	Colombia
Laurel Sociedad Gestora Profissional S.A.S.....	100.00	Asset Management	Colombia
BTG Pactual S.S. Soluciones y Servicios S.A.S.....	100.00	Credit	Colombia
BTG Pactual E&P S.à r.l.	100.00	Holding Company	Luxembourg
BTG Pactual Oil & Gas S.à r.l.....	100.00	Holding Company	Luxembourg
TTG Brasil Investimentos Florestais Ltda.	100.00	Timber Asset Management	Brazil
BTG Pactual Timberland Investments Group LLC	100.00	Timber Management	USA
BTG Pactual Casa de Bolsa, S.A. de C.V.....	100.00	Broker-Dealer	México
Bastec Tecnologia e Serviços Ltda.....	99.84	Service Provider	Brazil
BTG Pactual UK Holdco Limited	100.00	Holding Company	UK
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion.....	100.00	Asset Management	México
Newco SEG Holding S.A.	100.00	Holding Company	Brazil
TTG Forestry Services LLC	100.00	Timber Management	USA
N.A.S.S.P.E. Empreendimentos e Participacoes S.A.....	100.00	Holding Company	Brazil
BTG Pactual Argentina S.A.	100.00	Equities Broker-Dealer	Argentina

	Share (%) of total capital	Activity	Jurisdiction
BTG Pactual Real Estate Luxembourg Holding S.A.	100.00	Holding Company	Luxembourg
BTG Pactual RE Income S.A.	100.00	Real Estate Business	Colombia
BTG Pactual Chile Asesorias Financieras	100.00	Broker-Dealer	Chile
PFC Consultoria e Assessoria Empresarial Eireli	100.00	Service Provider	Brazil
BTG Pactual CTP Absolute Return	100.00	Holding Company	Cayman
Lutece Holdings Ltd.	100.00	Holding Company	Bermuda
Lutece Investment Management Ltd.	100.00	Investment Management	Bermuda
		Reinsurance	
BTG Pactual Seguros S.A.	100.00	Insurance	Brazil
BTG Pactual Reinsurance (Cayman) Ltd.	100.00	Reinsurance	Cayman
BTG Pactual Holding EFG Ltd.	100.00	Holding Company	Brazil
BTG Pactual (UK) Limited	100.00	Holding Company	UK
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	100.00	Investment fund	Brazil
BTG Pactual International Portfolio Fund SPC - CLASS C	100.00	Investment fund	Cayman
BTG Pactual Global Fund LP	100.00	Investment fund	Cayman
BTGP Latam Fund LLC	100.00	Investment fund	Cayman
BTG Pactual Oil & Gas FIQ FIP	100.00	Investment fund	Brazil
BTG Pactual Fundo de Investimento Imobiliário Ametista	100.00	Investment fund	Brazil
Warehouse Fundo de Investimento em Participação	100.00	Investment fund	Brazil
BTG Pactual Absolute Return Master Fund	100.00	Investment fund	Cayman
FIDC NP Alternative Assets I	100.00	Investment fund	Brazil
BTG Pactual ARF Equities Brasi FIA IE	100.00	Investment fund	Brazil
BTGP Int Fund II SPC - BTGPH Corp Hedge	100.00	Investment fund	Brazil
BTG PACTUAL RED FIP - Multimercado Investimento no Exterior	100.00	Investment fund	Brazil
FIM CP Energy	51.48	Investment fund	Brazil
FIM CP Vitória Fidelis	100.00	Investment fund	Brazil
FIDC NP Alternative Assets II	100.00	Investment fund	Brazil
BTG Pactual SICAV - Mexico Equity Fund	94.44	Investment fund	Luxembourg
BTG Pactual SICAV- Latin America Equity Fund	95.07	Investment fund	Luxembourg
BTG Pactual Fondo Alfa Concentrado S.A. de C.V.	94.98	Investment fund	Mexico
BTG Pactual Absoluto Global Equities Inst FIA IE	100.00	Investment fund	Brazil
BTG Pactual Absoluto Global Equities FIA	88.33	Investment fund	Brazil
BTG Pactual Absoluto Global Equities	84.06	Investment fund	Brazil
SEEDLING FIP	100.00	Investment fund	Brazil
FIDC NP Alternative Assets III	100.00	Investment fund	Brazil
FIDC NP Precatórios Brasil	100.00	Investment fund	Brazil

Business Units

Information about our business units should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto included elsewhere in this Offering Memorandum.

Investment Banking

General

We are among the leading providers of investment banking services in Latin America. We provide a wide range of services, such as acting as underwriters or placement agents in capital raising transactions in the public and

private debt and equity markets, providing finance advisory services, and sophisticated financial and structured products and services for corporations, financial institutions, investment funds, governments and individuals. Although these services are primarily rendered to clients based in the region, we also serve non-Latin American clients, including entities and individuals seeking to engage in M&A and other transactions in the region or involving Latin American securities or other financial instruments, including services to non-Brazilian clients seeking to list their securities on the B3 Exchange.

Our investment banking activities are divided into two categories:

- **Capital Markets**, which includes acting as underwriters, placement agents or advisors in public offerings and private placements of equity and debt securities; and
- **M&A and Advisory**, which includes advisory assignments with respect to mergers and acquisitions, divestitures, restructurings, spin-offs, reorganizations and other significant corporate transactions.

We believe that we provide our clients with high quality and straightforward advice and effective transaction execution, which has developed and fostered long-term relationships with our clients and has provided us with a strong competitive advantage both in Brazil and throughout Latin America, ahead of retail banks in the region with larger capital bases or foreign banks lacking scale and penetration in the Latin American market.

For the years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019, our revenues from our investment banking business unit were R\$367.1 million, R\$366.6 million, R\$464.0 million and R\$642.6 million, respectively, representing 4.2%, 6.6%, 8.7% and 11.0% respectively, of our total revenues.

Organization

Our investment banking unit has continuously adapted its organizational structure to meet changing market dynamics and our clients' needs. Our current structure, which is organized along execution and industry groups, seeks to combine our client-focused investment bankers with execution and industry expertise.

We believe having a group of professionals who focus on developing and maintaining strong client relationships (coverage bankers) is the principal competitive advantage in our marketing effort. These professionals work with senior executives of our clients to identify areas where we can provide capital raising, financial advisory or other financial products and services. Our coverage bankers are organized by industry specific groups, which include Aerospace, Agribusiness, Automotive, Basic Materials, Chemical and Petrochemical, Education, Energy and Power, Financial Institutions, Healthcare, Industrials, Infrastructure, Metals and Mining, Pulp and Paper, Real Estate and Construction Companies, Retail, Transportation, Telecom and Media, Travel and Leisure and Utilities. The broad base of experience and knowledge of our professionals, coupled with their long-term commitment to us, enables us to analyze our clients' objectives and to allocate the resources that we believe appropriate to satisfy their long-term objectives. Through our commitment to teamwork, we believe that we provide integrated services that benefit our clients.

Our capital markets group, which is divided into equity capital markets and debt capital markets, and our M&A and advisory group are responsible for the execution of specific client transactions as well as the building of client relationships. These industry and product groups provide a full range of investment banking products and services to our clients relying on specialized knowledge of industry-specific trends.

In line with the expansion of our operations mainly in Latin America we have built a global investment banking capability focused on emerging markets. Based primarily in our regional operations in Chile, Peru, Colombia and Mexico, alongside with our New York team, we seek to leverage our presence into corporate and sovereign capital market and advisory opportunities across our global emerging market franchise.

Capital Markets

From January 1, 2014 through September 30, 2019, we acted as lead manager or bookrunner in transactions that have raised approximately R\$66.4 billion of capital for our clients in Brazil. We underwrite a wide range of equity and debt securities, including convertible securities.

We believe that we are able to benefit from our corporate relationships to enter into equity and debt underwriting operations. One of the key factors of our success is the close working relationship between our investment banking and capital markets professionals and our sales team. We believe that we have relationships with a large and diverse group of Brazilian and Latin American issuers as well as Brazilian, other Latin American and global investors.

Following the strengthening of our investment banking platforms in Chile and Colombia in 2012 and the commencement of operations in Mexico in 2013, we have increased our presence in equity underwriting in Latin America, principally in Chile, Peru, Colombia and Mexico. BTG Pactual's historical strength and our expanded local presence have bolstered our competitive position in the region.

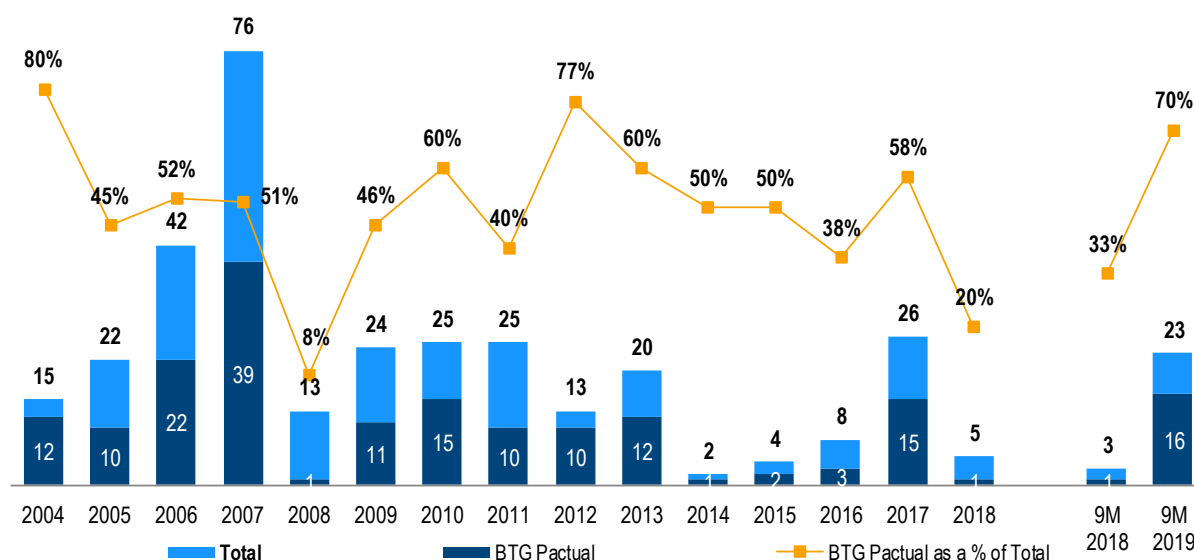
Equity Capital Markets

Equity underwriting has been one of our long-term core strengths and remains so in terms of market share. Despite the challenging conditions over the last several years, we experienced a positive resurgence in the equity capital markets in Brazil in 2017. Considering the events that occurred in 2018, such as the truckers strike that happened in May 2018 and all the volatility due to the elections that took place in October 2018, activity was low throughout the year.

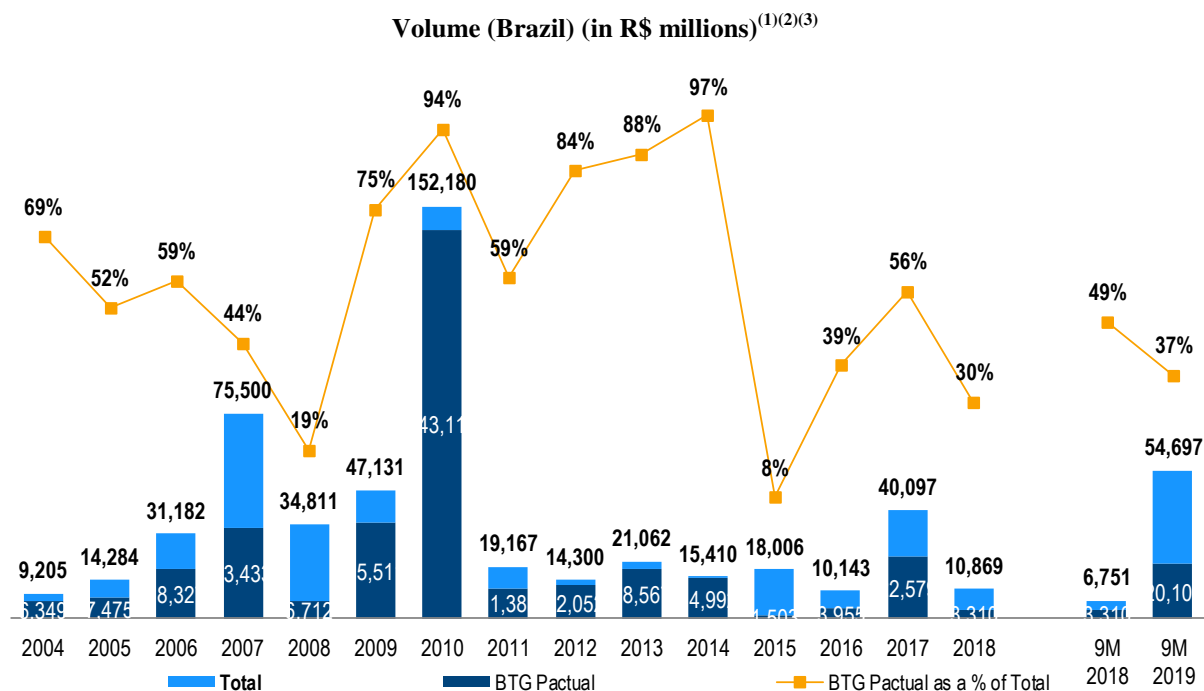
We expect equity underwriting activity to improve over the course of the next years considering the proposed economic reforms that are taking place in Brazil, alongside with a more stable macroeconomic environment and a wide range of companies that are seeking to access equity capital markets to build up their operations in a manner consistent with our market outlook. In addition, due to the surge of digital and mobile banking and an expanding financial investment network, composed of Independent Investment Agents, which we refer to as "IIAs", and new asset managers, more resources should be channeled to equities initiatives locally, mainly due to the smaller base interest rate in the economy.

The following graphs show our position in equity underwriting in Brazil for the periods indicated:

Number of Transactions (Brazil)



Source: CVM



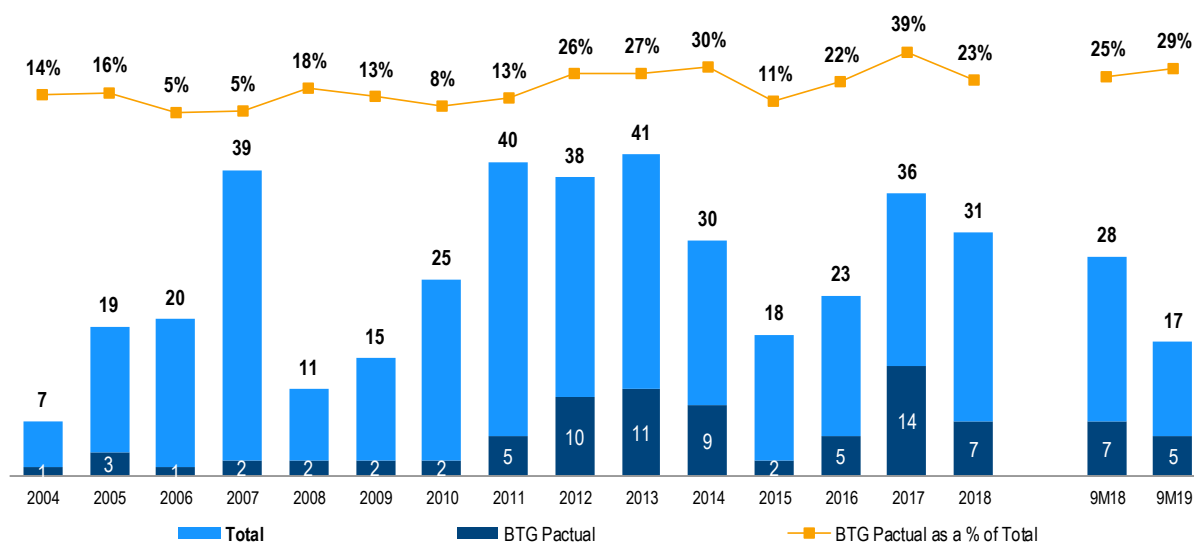
Source: CVM

- (1) Represents the total aggregate transaction value, with the full deal amount allocated to each participating bookrunner.
- (2) Represents companies listed on the B3 Exchange which are registered with the CVM.
- (3) Data for 2010 includes transactions in which we participated but that were credited to UBS AG and the Petrobras equity offering, which significantly increased our total transaction value in 2010 but did not generate a corresponding significant underwriting fee.

Following our Latin American initiatives in Chile, Colombia, Peru and Mexico, we have increased our presence in Latin American equity capital markets. For example, according to Dealogic, we achieved a 23% and 40% market share in Latin America in 2018 in terms of number of transactions and volume, respectively.

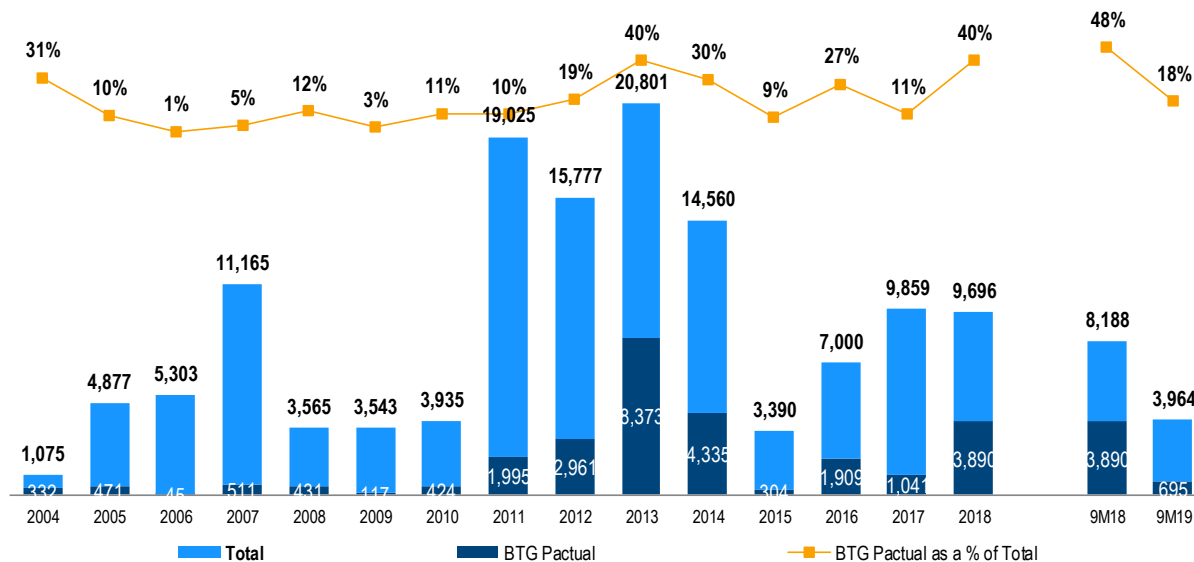
The following graphs sets forth our position in equity underwriting in Latin America (excluding Brazil) for the periods indicated:

Number of Transactions (Latin America ex-Brazil)



Source: Dealogic

Volume (Latin America ex-Brazil) (US\$ millions)⁽¹⁾⁽²⁾



Source: Dealogic

(1) Represents the total aggregate transaction value, with the full deal amount allocated to each participating bookrunner.

(2) Data for 2004 to 2011 includes transactions from Celfin and Bolsa y Renta, which were acquired by us in 2012.

We believe our leadership reflects our expertise in capital markets transactions, the strength of our research team, our track record and our distribution capabilities.

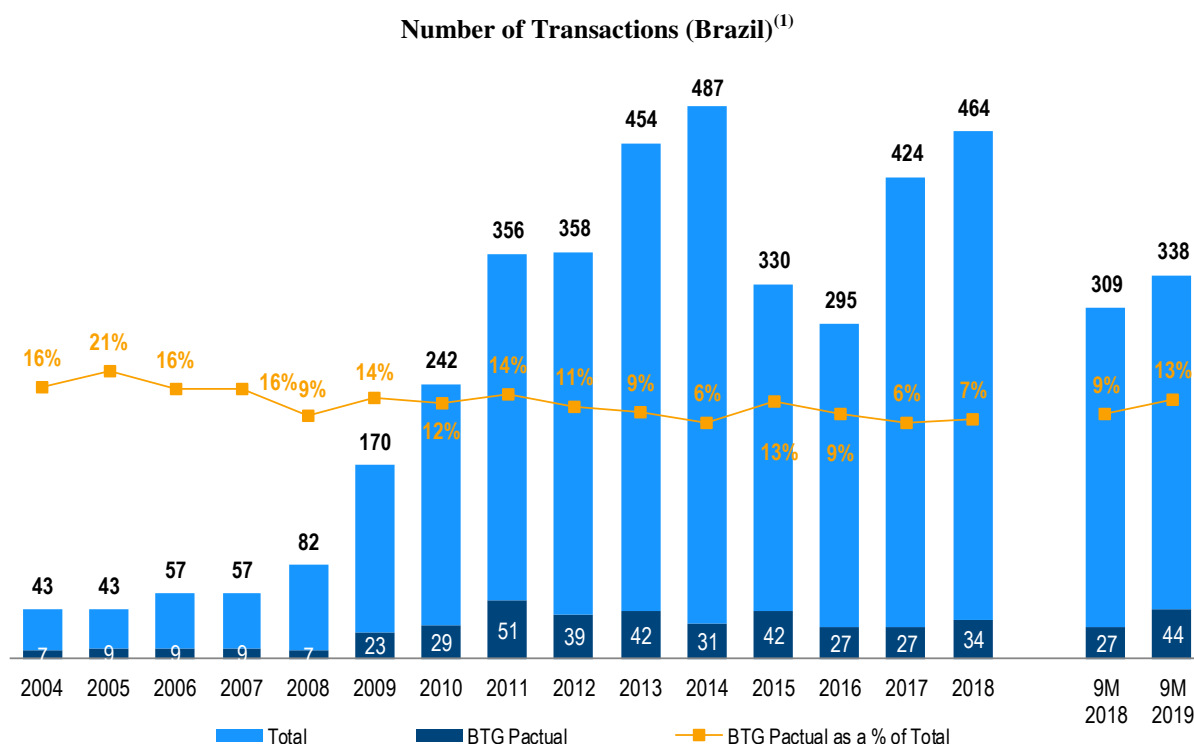
Debt Capital Markets

We engage in the underwriting and origination of debt securities and varying debt instruments for Brazilian and Latin American corporations and governmental entities, including convertible debt securities. In servicing our clients, we employ a focused approach to debt underwriting, emphasizing high value-added areas.

Debt capital markets activity has increased significantly over the course of the last few years in Brazil as a consequence of a large change into the banking industry, the low base interest rate scenario and due to the macroeconomic recession of 2015 and 2016. Companies that usually had access to equity capital markets have seen a low level of activity and a large depreciation in terms of the valuation of their assets mainly into offshore markets, which led them to refocus on leveraging their operations to fulfill their intended strategies. Alongside with that, due to the surge of digital and mobile banking and a boosting financial investment network, composed of IIAs (Independent Investment Agents) and new asset managers, more resources are being channeled to fixed income funds, increasing appetite for issuances in the local markets. That last movement is also possible considering a smaller base interest rate in the economy, helping issuers to structure transactions at attractive leveraging costs and enabling investors to pursue extra returns to their investments. This cycle should continue over the following years, especially when considering that there is a large amount of savings that should seek for increased yield in the low base interest rate arena, as well as due to the continuous bancarization process made possible using technology that is granting access for financial investments for all types of individuals.

From January 1, 2014 through September 30, 2019, we served as lead manager or bookrunner in transactions that have raised approximately R\$43.7 billion of local debt proceeds for our clients.

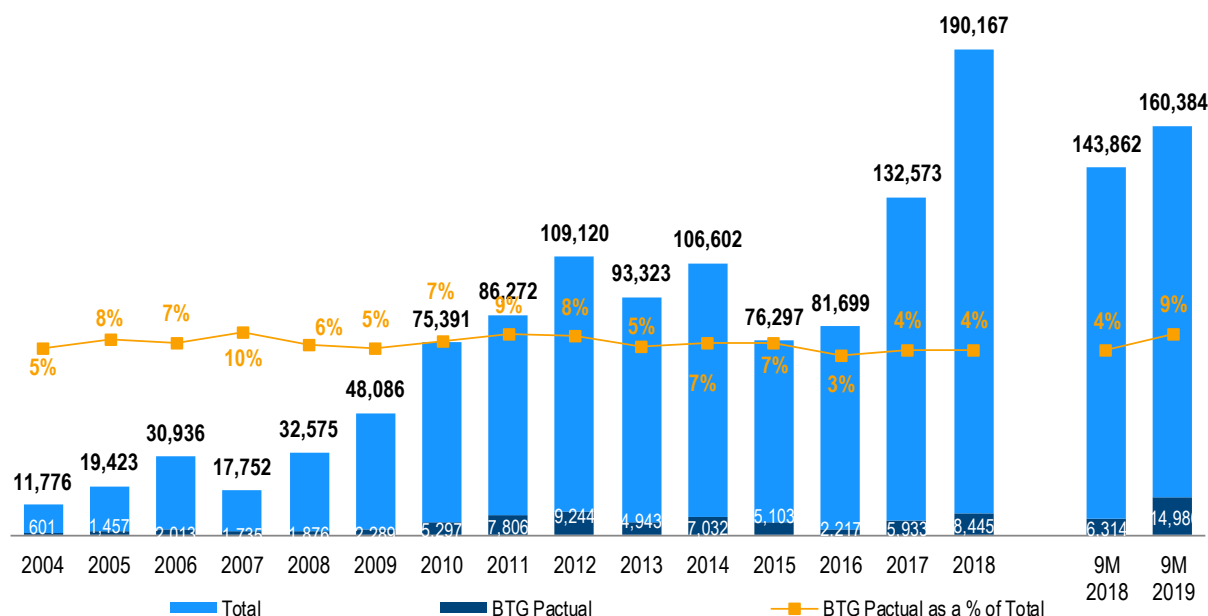
The graphs below set forth our position in the Brazilian debt capital market for the periods indicated:



Source: ANBIMA

(1) Includes local fixed income origination transactions only.

Volume (Brazil) (in R\$ millions)⁽¹⁾⁽²⁾



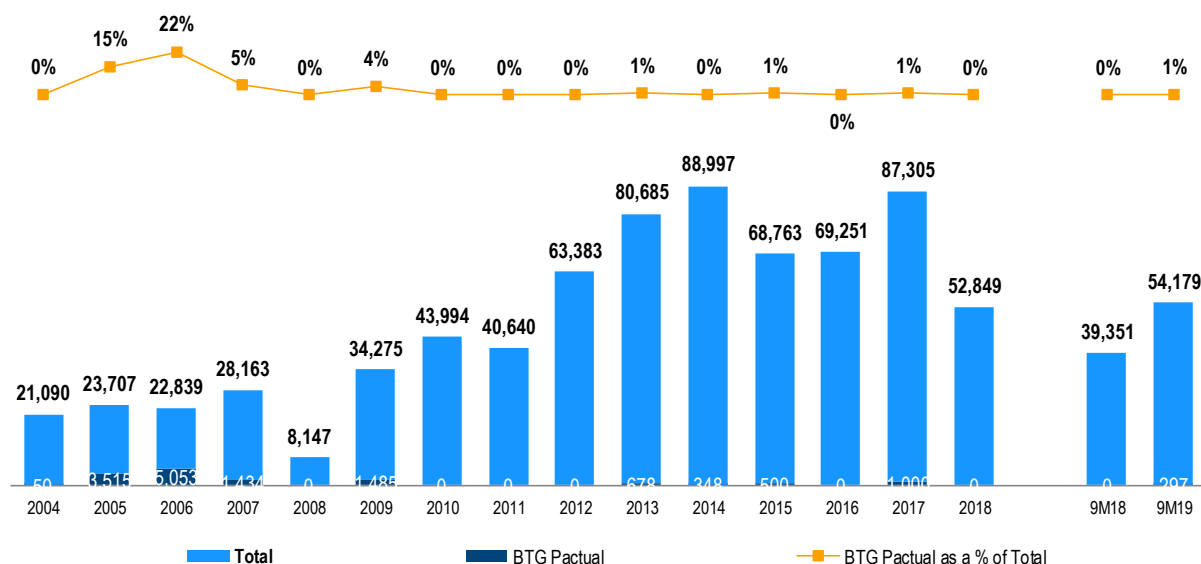
Source: ANBIMA

- (1) Includes local fixed income origination transactions only.
- (2) With respect to syndicated transactions, represents the total aggregate transaction value allocated to the underwriter syndicate participating in debt offerings and not only Banco BTG Pactual's portion of the total allocation.

We have consolidated our position in Latin American debt capital markets through our investment banking platforms primarily in Chile, Peru, Colombia and Mexico. We believe that our historical strength in debt capital markets and expanded local presence throughout Latin America will serve to facilitate our competitive position in the region. Since debt capital market transactions are mainly led by local banks with strong balance sheet capabilities in their local markets, we believe that our expanded operations in Latin America, including for example, our banking licenses in Chile and Colombia, and commencing operations in Mexico, will further strengthen our position in the region.

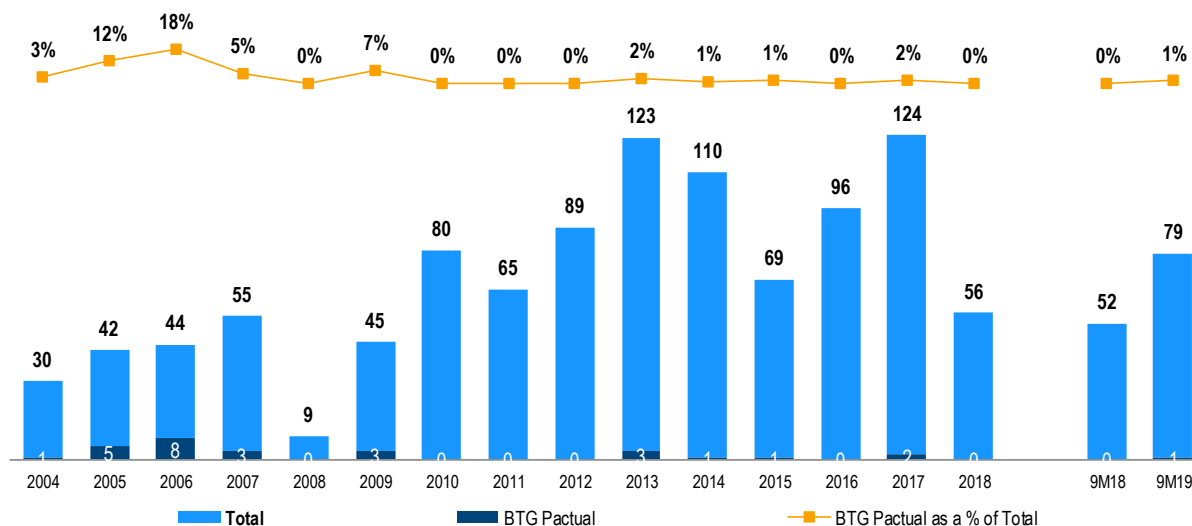
The following graphs sets forth our position in debt capital markets in Latin America (excluding Brazil) for the periods indicated:

Number of Transactions (Latin America ex-Brazil)



Source: Bond Radar

Volume (Latin America ex-Brazil) (US\$ millions)⁽¹⁾⁽²⁾



Source: Bond Radar

- (1) Represents the total aggregate transaction value, with the full deal amount allocated to each participating bookrunner.
- (2) Data for 2004 to 2011 includes transactions from Celfin and Bolsa y Renta, which were acquired by us in 2012.

M&A & Advisory

We provide our clients with a broad range of advisory services with respect to mergers and acquisitions, divestitures, restructurings, reorganizations and spin-offs, generally involving Brazilian companies. We advised on more than 193 M&A transactions in Brazil from January 1, 2015 through September 30, 2019.

M&A and advisory activities have remained strong throughout economic cycles over the last few years, even during the recession years of 2015 and 2016, due to a strong presence of large corporations benefiting from local and export markets and that are seeking alternatives to increase their revenues, market share and, more recently, prepare to the digital transformation that is impacting all businesses globally.

The following table shows the number of M&A transactions in Brazil in which we have acted as advisor and our market share for the periods indicated:

(Unaudited)	For the year ended December 31,			For the nine months ended September 30,
	2016	2017	2018	2019
Brazil				
Number of Banco BTG Pactual transactions	24	35	57	32
Total number of transactions in the Brazilian market	671	643	708	490
Banco BTG Pactual transaction volume, in R\$ million	21,681	42,107	45,926	15,388
Total transaction volume in the market, in R\$ million ⁽¹⁾	189,081	217,530	194,915	149,222
% of Total⁽²⁾	11.5%	19.4%	23.6%	10.3%

Source: Thomson Financial

(1) Assumes the full transaction value allocated to all financial advisors and not only our portion of the total allocation.

(2) Refers to the percentage of completed deals advised by us (both on sales and purchases) versus total deals completed in the period.

Investment banking is an example of how one of our activities can generate cross-selling opportunities for other areas. For example, a client advised by our M&A group may seek our assistance in obtaining financing associated with the transaction. This cross-selling is particularly advantageous in Latin America, where many influential families control a significant share of businesses and thus require a wide variety of financial services for both their personal wealth and the substantial businesses they control.

Following the strengthening of our investment banking platforms in Chile, Colombia, Peru and Mexico, we have increased our presence in the Latin American M&A market. By expanding our local presence in Latin America, we have been able to build relationships with several new corporate clients, advise on cross-border transactions within the region and facilitate the activity of our local M&A teams in the region.

The following table sets forth the number and volume of M&A transactions in Latin America, including Brazil, in which we have acted as advisor and our market share for the periods indicated:

(Unaudited)	For the year ended December 31,			For the nine months ended September 30,
	2016	2017	2018	2019
Latin America (including Brazil)				
Number of Banco BTG Pactual transactions	31	40	64	37
Total number of transactions in the Latin American market	1,374	1,370	1,466	981
Banco BTG Pactual transaction volume, in R\$ million	66,334	50,725	51,863	21,504
Total transaction volume in the market, in R\$ million ⁽¹⁾	372,504	375,641	335,661	269,424
% of Total⁽²⁾	17.8%	13.5%	15.5%	8.0%

Source: Thomson Financial

(1) Assumes the full transaction value allocated to all financial advisors and not only our portion of the total allocation.

(2) Refers to the percentage of completed deals advised by us (both on sales and purchases) versus total deals completed in the period.

Corporate Lending

General

Through our corporate lending business unit, we offer financing, structured credit, loans and guarantees to corporations, primarily in Brazil and increasingly throughout Latin America. The main focus of our corporate lending activities is to meet the demands of large corporations, developing solutions suited to the business profile and objectives of each client, such as cash flow management and mismatches between assets and liabilities.

We engage in a number of financing transactions in which we act as lender for various clients ranging from mid-size companies to larger investment grade companies. We believe that there are significant synergies between our corporate lending business and other business units and we seek to leverage our credit platform to deepen our relationships with existing corporate clients and expand our client base. We have provided loans to companies that we believe have potential to be leaders in their respective industry segments and to become publicly traded in the future.

We seek to identify credit arbitrages on loans and to acquire and capitalize on non-performing loan portfolios and legal claims. These arbitrages can arise in a variety of contexts, including from corporate turnarounds, collateral packages, guarantees or debtor-in-possession financing. Such transactions are characterized by higher yields and higher probability of default than our core corporate lending business. These transactions are typically smaller in size and we seek to offset their risks with comprehensive packages of guarantees and collateral. Our corporate lending unit is also responsible for our warehousing and securitization business, which focuses on real estate related products.

As of December 31, 2016, 2017, 2018 and September 30, 2019, our corporate lending credit portfolio amounted to a total of R\$19.3 billion, R\$21.8 billion, R\$29.7 billion and R\$39.3 billion, respectively, which generated R\$876.6 million, R\$790.1 million, R\$848.8 million and R\$584.5 million, respectively, representing 10.0%, 14.3%, 15.9% and 10.0% respectively, of our total revenues.

Through our corporate lending business, we have extended loans to certain companies in the Brazilian construction sector, including some that might be subject to the *Lava Jato* investigations. See “Risk Factors—Risks Relating to Our Business and Industry—Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.”

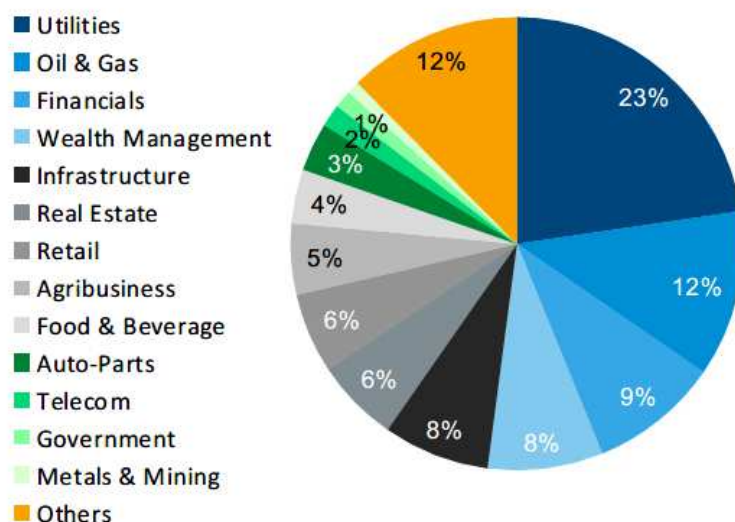
Organization

Our corporate lending activities are segmented into two main business lines: (i) origination and (ii) treasury products.

Our origination business activities are focused on identifying demand for loans to Latin American and multinational companies with a presence in Latin America. Through our origination platform, we offer a broad range of credit products, including pass through of BNDES credit lines, export financing lines, working capital loans and financing for acquisitions.

Through our treasury products business line, we offer a variety of treasury products to our customers, providing sophisticated and innovative derivative products to help our customers manage market risk exposure to foreign exchange rates and interest rates. Through our structured operations, we also offer additional products for risk management in commodities markets. We believe that our broad range of treasury products offers clients comprehensive coverage for managing their onshore and offshore cash positions in accordance with their liquidity needs and the risk profiles of their businesses. In addition, we have expertise in structuring exclusive funds for our clients, through which we are able to offer additional products from our asset management business unit.

Set forth below is a breakdown of our corporate lending portfolio by industry as of September 30, 2019, excluding Banco PAN and including certain off balance sheet items (loans, debentures, CRIs, FIDCs, FIPs, TDs, corporate bonds, letter of credit, commitments and others).



In addition to our traditional operations, we operate in the segment of small and medium-sized enterprises (SMEs), and based our operation in particular on the use of technology. Our activities in this segment should increase in the next years due to our investments in our technology-based retail platform.

This integrated digital platform offers solutions to SMEs by granting access to products and services offered by Banco BTG Pactual in the segments of credit, guarantees, insurance, investments, foreign exchange and derivatives, as well as access to our partners that offer solutions that optimize the management and maximize the productivity of these companies. Initially, we intend to act through technological integration with service providers, strategic partnerships and by increasing our network of IIAs. This platform will automate transactional activities, providing a more efficient solution to our clients.

The digital platform that offers credit to SMEs is already operational. Through this digital solution, our clients have access to credit in an automated way. Thereby, we are meeting their needs efficiently with the purpose of facilitating their daily activities. We use big data to automate credit analysis of counterparties, which allows us to offer better solutions in accordance with the risk of each client and their leverage needs.

This digital platform is a great opportunity for us to leverage our operations, taking advantage of our knowledge and expertise in credit extensions to accessible clients only through the use of technology, increasing our presence geographically and in market segments that we would not be able to organically operate. We already allocated experienced partners to lead this initiative.

In addition, the Brazilian market for micro, small and medium-sized enterprises (MSME) is undersupplied and more susceptible to variations in the economic cycle, as evidenced by the decrease in the amount of credit transactions in the last 3 years. With the expectations that the economic climate will improve and low interest rates will persist, the opportunities for MSMEs should expand in the next years.

Sales and Trading

Through our sales and trading business unit, we offer financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes. These activities are divided into two segments: (i) FICC (fixed income, currency and commodities) and (ii) equity sales and trading.

For the years ended December 31, 2016, 2017, 2018 and for the nine months ended September 30, 2019, our revenues from our sales and trading unit were R\$2,816.0 million, R\$2,389.0 million and R\$1,539.4 million and R\$2,123.2 million, respectively, representing 32.0%, 43.1%, 28.8% and 36.3%, respectively, of our total revenues.

FICC (Fixed Income, Currency and Commodities)

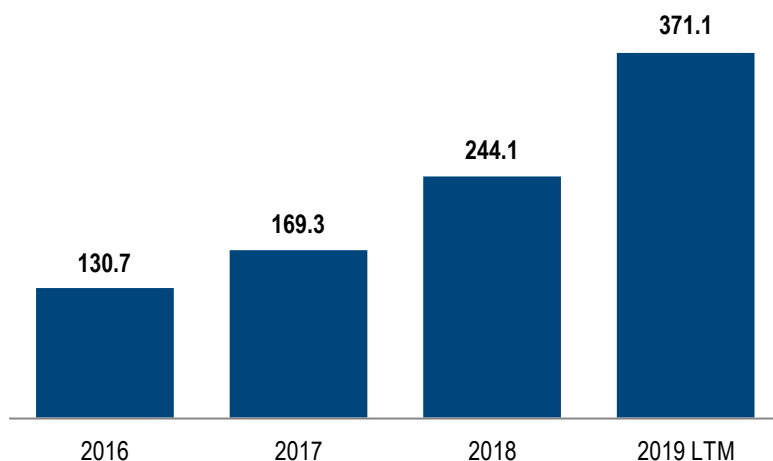
Our FICC area within our sales and trading unit is a large and diversified operation through which we engage in a variety of customer-driven market-making and trading activities.

We offer financial products and services to a broad group of corporations, financial institutions, investment and pension funds, as well as governments in local and international markets. These products and services include market-making for fixed income instruments, brokerage and clearing services, as well as derivatives, interest rates, foreign exchange and energy transactions for hedging and trading purposes. We also offer a broad range of financial instruments, including debt securities, foreign exchange spots, swaps, options, futures, loans and non-deliverable forwards, insurance and reinsurance among others. We believe our willingness and ability to take calculated risks distinguishes us from most of our competitors and substantially enhances our client relationships.

Our financing activities in FICC consist of (i) undertaking a high volume of transactions with modest spreads in large and highly liquid markets, (ii) capitalizing on our strong market relationships and capital position to engage in transactions in less liquid markets in which spreads are generally larger, and (iii) structuring and executing a wide range of transactions linked to fixed income products, currencies and commodities in accordance with our clients' needs.

We provide multi-product brokerage, clearing and custody services in the Latin American market to a diversified customer base, including hedge funds, pension funds and HNWI. These activities generate commissions through the execution of agency transactions on futures and commodities exchanges. Such agency transactions are executed for our clients located throughout the world.

The chart below shows the volume of our operations on the stock exchange (in R\$ billion) for the periods indicated:



One of our core FICC activities is market-making in a broad array of securities and financial products. For example, we act as a dealer in currencies for the Central Bank and as primary and specialist dealer in government bonds for the Central Bank and the Brazilian National Treasury. We believe that making markets in a broad range of fixed income, currency and commodity products and related derivatives for our clients is crucial both to maintain our client relationships and to support our underwriting business by providing secondary market liquidity. We believe our clients value counterparties that are active in the marketplace and are willing to provide liquidity and research-based approaches. In addition, we believe that our significant investment in research capabilities and proprietary analytical models are critical to our ability to provide quality advice to our clients. Our research

capabilities include quantitative and qualitative analyses of global economic, currency and financial market trends, as well as credit analyses of corporate and sovereign fixed income securities.

We are active in the listed options and futures markets, and we structure, distribute and execute over-the-counter derivatives on market indices, industry groups and individual company stocks to facilitate customer transactions and our proprietary trading activities. We develop quantitative strategies and render advice with respect to portfolio hedging and restructuring and asset allocation transactions. We also create especially tailored instruments to enable sophisticated investors to undertake hedging strategies and establish or liquidate investment positions. We are one of the leading participants in the trading and development of derivative instruments in Brazil. We are an active participant in the trading of futures and options in the B3 Exchange, and we also trade on most of the major exchanges in Latin America, the United States, Europe and Asia.

Equity Sales and Trading

We make markets and take large positions in certain equity securities to facilitate customers' transactions and to provide liquidity in the marketplace. We operate in most of the major stock exchanges, including the B3 Exchange, NYSE, LSE and HKEx.

Acting as an agent, we execute brokerage transactions in equity securities for institutional and individual customers located throughout the world. In recent years, aggregate commissions derived from our brokerage services have increased as a result of growth in transaction volumes on the exchanges, mainly due to the low basic interest rate environment where clients need to be more active and use a wider range of products and services in order to generate increased returns compared to previous years. Other than our equity brokerage houses in Brazil, we also have subsidiaries qualified as broker-dealers located in New York, London, Chile, Peru, Colombia, Mexico and Argentina.

We also provide securities lending services through the borrowing and lending of equity securities to cover our clients' as well as our own short sales and to finance our long positions. Lenders of securities include pension funds, mutual funds, insurance companies, investment advisors, endowments, banks and individuals. We have relationships with certain strategic lenders that provide us with access to large pools of securities.

Our equity trading activities consist of undertaking on behalf of our clients a high volume of transactions with modest spreads in liquid markets such as the over-the-counter market for equity securities. We also undertake large transactions, such as block trades and positions in securities, in which we benefit from spreads that are generally larger. Finally, we structure and execute complex equity-linked transactions in accordance with our clients' needs.

We believe that major investors worldwide recognize us for our high value-added sales and trading services, which are highly rated in client polls across the Americas, Europe and Asia. Our sales and trading team was named within the top two sales and trading services teams in Brazil and Latin America by *Institutional Investor* from 2012 through 2019, sustaining their leadership positions in their respective markets.

Research

Our research team provides fundamental research on equity, commodities, interest rates and currencies markets, trends, industries and companies, primarily in Latin America. We have developed an industry-leading position for our investment research products. We believe that our investment research capabilities are a significant factor in our strong competitive position in equity trading.

We believe that major investors worldwide recognize us for our value-added research products, which are highly rated in client polls across the Americas, Europe and Asia. Our equity research team was named by *Institutional Investor* among the best research teams in Brazil from 2006 through 2019 and in Latin America from 2012 through 2019.

Our research team provides equity research coverage to several companies in Latin America, across different business sectors and economies. This is accomplished through three groups:

- *the Macroeconomic Research group*, which formulates macroeconomic forecasts for global economic activity and currencies, interest rates and commodities markets;
- *the Equities Research group*, which (i) forecasts equity market returns and provides recommendations on both asset allocation and industry representation, and (ii) provides fundamental analysis, forecasts and investment recommendations for companies and industries in Latin America; and
- *the Fixed Income Research group*, which provides credit analysis and investment recommendations for companies and markets in Latin America.

We do not record any revenues from our research activities. Our research team provides useful information to our business units as well as our clients in connection with a broad range of financial products and services.

Asset Management

We offer asset management services across major asset classes to Latin American and international clients. Our products include fixed income, money market, equity, multi-asset and private equity funds (including funds wholly-owned by us and PPLA both in Latin America and elsewhere). Our funds are tailored to meet our clients' needs. We have funds targeted at a broader public such as those distributed by third party distribution channels and also exclusive funds or funds restricted to a limited number of clients. In addition, we provide fund administration services to third parties.

As of September 30, 2019, we had combined AUM and AUA in the amount of R\$253.9 billion, making us one of the largest asset managers in Brazil, according to ANBIMA. In addition, according to ANBIMA, as of September 30, 2019, we are the sixth largest financial institution in Brazil in terms of AUM, competing only against large retail banks such as Banco do Brasil, Itaú Unibanco, Bradesco, Caixa and Santander, which are each supported by a large network of branches throughout Brazil.

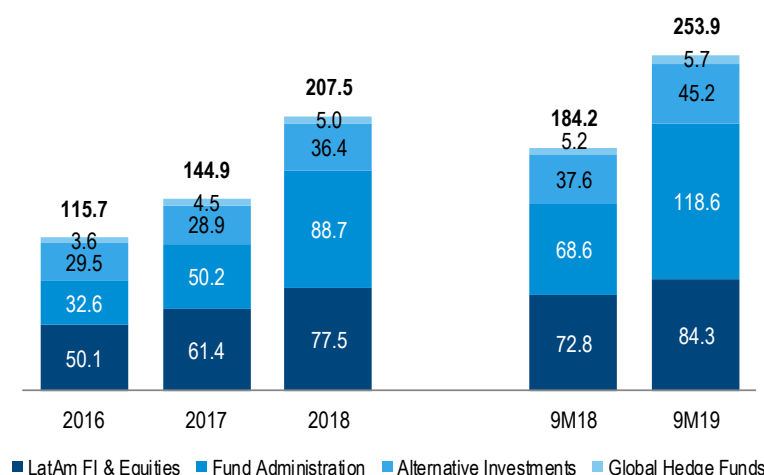
We continuously invest in our asset management businesses throughout Latin America in order to further integrate them into our global platform and provide products and solutions to a wide range of clients in the Latin America region, including pension funds, insurance companies, family offices and HNWI.

In order to further enhance our presence in the region and expand our asset management platform, we have obtained an asset management operation license in Mexico and Argentina. By further expanding our operations, we believe we can leverage our business contacts within the region and offer a wide portfolio of products focused on emerging markets for private and institutional clients within the region.

Recently, our investments into BTG Pactual Digital, our digital investment platform, has also contributed to the expansion of our asset management business, due to our ability to offer our wide range of products for clients that did not have access to our investment solutions. Considering that virtually all investment platform activities have been increasing substantially in the market are open-ended, we believe we can offer our products and investment solutions to a wider base of clients by their continuous evolution as well as by our own platform. Also, considering our current base of IIAs (independent investment agents) that should increase overtime, our capability to access a different investors base should continue to grow.

The following graph sets forth our combined AUM and AUA by asset class and the change in our portfolio of AUM and AUA as of the closing dates for each of the specified periods, excluding the impact of BSI:

AUM by Asset Class (in R\$ billions)



For the years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019, revenues from our asset management business unit were R\$539.6 million, R\$486.6 million, R\$717.0 million and R\$584.0 million, respectively, representing 6.1%, 8.8%, 13.4% and 10.0% of our total revenues, respectively.

Organization

We have continuously adapted the organizational structure of our asset management unit to meet market trends and our clients' needs.

Our asset management business unit is divided into management and fund administration services. Our management services consist of managing the portfolio of the funds on a discretionary basis. Our fund administration services consist of calculating the net asset value of the funds and rendering other services such as monitoring the compliance of the fund with the applicable regulation and providing operational control of the assets underlying the portfolios. We believe that the broad range of services provided by our asset management unit grants us an important competitive advantage.

Our primary clients include HNWI and institutional clients. Our institutional clients include pension funds, corporations, insurance companies and financial intermediaries (third party distribution). We have an extensive and diversified client base and do not significantly depend on any particular client. The diversification of our client base is an essential aspect of our business strategy.

The table below shows the breakdown of our AUM and AUA by client type:

(Unaudited)	For the year ended December 31,						For the nine months ended September 30,	
	2016	% of total	2017	% of total	2018	% of total	2019	% of total
HNWI.....	35.2	30.4%	41.4	28.6%	55.3	26.7%	73.8	29.1%
Institutional	10.5	9.1%	9.4	6.5%	11.3	5.5%	11.4	4.5%
Financial intermediaries (third party distribution).....	4.6	4.0%	5.3	3.6%	10.2	4.9%	14.7	5.8%
Corporations.....	10.1	8.7%	10.1	6.9%	7.0	3.4%	7.7	3.1%
Funds.....	13.4	11.6%	34.1	23.5%	66.8	32.2%	72.8	28.7%
Other	41.9	36.2%	44.7	30.8%	56.8	27.4%	73.4	28.9%
Total	115.7	100%	144.9	100%	207.5	100.0%	253.9	100.0%

We distribute our funds through the distribution channels of our asset management and wealth management business units as well as through banks, brokerage firms and other financial intermediaries. We have strategic distribution agreements with major banks in Brazil, including Banco Citibank S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Bradesco S.A., pursuant to which we pay fees for clients originated by these distribution channels.

Recently, through the development of BTG Pactual Digital, our digital investment platform, our distribution capabilities have improved significantly. We have been able to reach even retail clients with the usage of our own platform, as well as by distribution agreements with other digital platforms. In addition, following the development of the IIAs (independent investment agents) industry, we have been attracting such partners in order to leverage our distribution capabilities into different geographies and client profiles that we would not be able to access with our internal distribution capabilities.

We consider a strong and well-known asset management unit to be important not only for attracting new clients, but for providing our existing clients with a premium service.

Management of Funds

Our subsidiary BTG Pactual Asset Management is dedicated exclusively to providing asset management services through our investment funds and managed portfolios. The portfolio of products includes Latin American funds, emerging market funds and global funds, and we have specific products for a wide range of clients. BTG Pactual Asset Management was one of the largest asset managers in Brazil, according to ANBIMA, with AUM and AUA in the amount of R\$253.9 billion as of September 30, 2019.

Our investment products include fixed income and equity funds, equity funds, multi-asset funds, structured funds and private equity funds, both in Latin America and globally.

Fixed Income and Equity Funds. As of September 30, 2019, we had R\$84.3 billion under management invested in fixed income and equity funds.

Global Hedge Funds. As of September 30, 2019, we had R\$5.7 billion under management invested in multi-asset funds. These funds have hybrid portfolios composed of a mix of fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities, mortgages and interest rates.

Alternative Investments (Private Equity and Real Estate Funds). As of September 30, 2019, we had R\$45.2 billion under management invested in alternative investments, composed of private equity and real estate investments, through funds or other investment vehicles. Our private equity business pursues long-term investments in equity and debt securities, mostly in privately held companies, purchased in privately negotiated transactions. Our strategy with respect to each private equity business is to invest opportunistically and to build a portfolio of investments that is diversified by industry, product type and transaction structure and type. Our private equity business seeks to leverage our long-standing relationships with companies, investors, entrepreneurs and financial intermediaries around the world to source potential investment opportunities. In addition, our private equity business, including its portfolio companies, have generated business for our other business units, including equity underwriting, leveraged and other financing, fees and M&A advisory fees.

Our investment professionals identify, manage and sell investments on behalf of our private equity funds. In addition, our private equity professionals work closely with other of our business units, where they can benefit from the expertise of specialists in research, investment banking, leveraged finance and equity capital markets.

Our real estate investment team identifies and executes investment opportunities in diverse projects and assets, including residential and commercial construction projects, shopping centers and commercial buildings for lease. The team is made up of experienced real estate and finance professionals, allowing a detailed analysis of the economic viability of each project or asset in order to be able to select the best investment opportunities.

Fund Administration or Fund Services

Through BTG Pactual Serviços Financeiros, we provide a broad range of financial services to our clients in respect of both onshore and offshore funds, including:

- calculation of net asset value, which is the cumulative market value of the fund's assets net of its liabilities;
- asset pricing;
- registrar and transfer agent services;
- control of the fund's fees (management and performance fees) and other expenses;
- reporting on the fund's portfolio composition;
- preparation of monthly reports for the fund's clients; and
- calculation of any tax that may be imposed on the funds.

As administrator of the funds, we are also responsible for providing any information regarding the funds to regulators such as the Central Bank and the CVM and to ANBIMA as the self-regulatory authority. As of September 30, 2019, we had a total of R\$118.6 billion under management invested in fund administration.

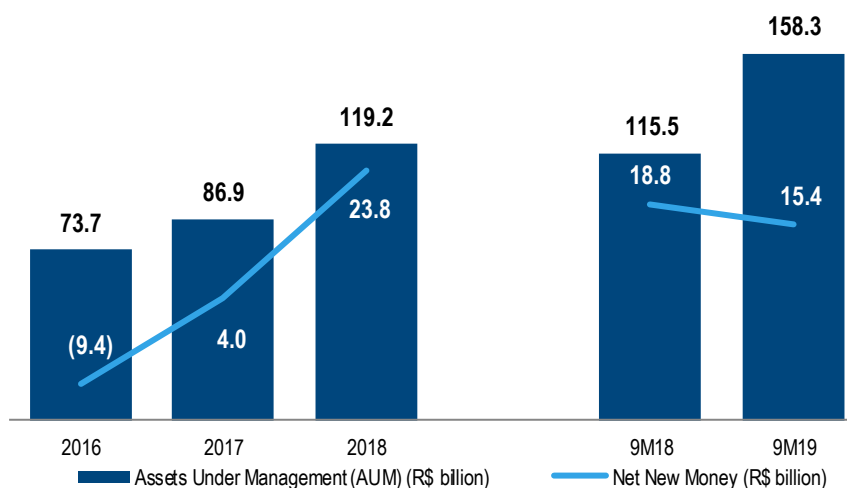
Wealth Management

We provide investment advisory and financial planning services and offer investment products to HNWI primarily located in Latin America, with a concentration of clients in Brazil, Chile, Peru, Colombia, Mexico and Argentina. These services are provided through separately managed accounts as well as multi-investor vehicles across diverse financial asset classes, through both funds managed by our asset management team and funds managed by other financial institutions or asset managers. We also offer other services to our wealth management clients such as wealth planning, loans and bank guarantees and family office services.

As of September 30, 2019, our wealth management unit managed approximately R\$158.3 billion in assets. According to market data, we were considered the Best Private Banking in Latin America by *Global Finance*, the Best Private Banking in Brazil by Euromoney and Best Wealth Management Provider by *World Finance* in 2019.

For the years ended December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019, revenues from our wealth management business unit were R\$336.2 million, R\$368.7 million, R\$472.2 million and R\$446.5 million, respectively, excluding any revenues from the BSI acquisition.

The following graph sets forth an overview of our wealth management portfolio and net inflows/outflows, excluding the effects of BSI, for the dates indicated below:



We formally launched our digital platform, BTG Pactual Digital in January 2016, our marketplace for investments. This online platform was developed internally and now distributes investment funds, fixed income products and pension plans from BTG Pactual and third parties as well as treasury investments and home broker capabilities for all our clients. Distributions is made through two different channels: (i) B2C (business to consumer) which connects BTG Pactual directly to its final clients and (ii) B2B (business to business) which connects a network of independent agents and their clients to our platform.

Organization

Our wealth management model is based on customized and pro-active client service through our specialized client advisors. Each client advisor attends to a limited number of clients, offering a range of financial products and personalized services according to their needs. Our client advisors are expected to understand their clients' needs, financial expectations and risk tolerance. Periodic reviews allow our client advisors to help clients monitor their portfolios and adapt to changing conditions. Client advisors are principally organized by client market, which allows them a higher level of client focus. We believe that this approach fosters long-term client relationships.

Our client advisors retain primary responsibility for increasing the penetration of wealth management service products within our existing customer base by introducing products and services and for generating new clients throughout Latin America.

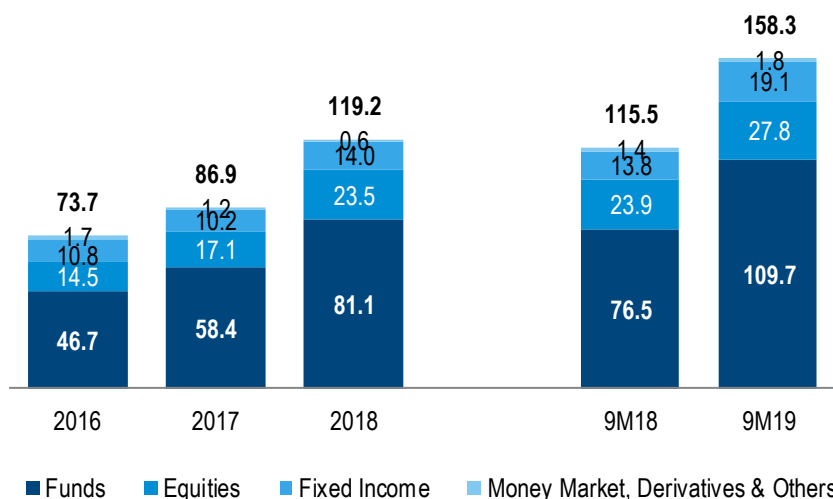
We provide a number of asset-based, transaction-based and other services to clients. Asset-based services include custodial services, deposit accounts, loans and fiduciary services, and transaction-based services include trading and brokerage and investment fund services. Wealth management also provides financial planning and consulting services. These services include establishing proprietary trusts and foundations, the execution of wills, corporate and personal tax structuring and tax efficient investments.

Financial Planning and Wealth Management. Develops integrated comprehensive wealth management services in the form of tax and estate planning, liquidity and retirement lifestyle planning, insurance products, real estate advisory services and a variety of sophisticated capital enhancement and asset protection strategies.

Corporate Advisory. Provides advisory services and solutions to clients who are entrepreneurs or company owners, including funding options and advice on structuring mergers and acquisitions.

Family Office. Provides a consolidated position of investments with a view to provide complete tax and estate planning advice.

The following graph shows information concerning WUM, presented in R\$ billions, by asset class in wealth management in the periods indicated:



BTG Pactual Digital

BTG Pactual Digital acts as our startup with focus on individuals in the retail market. By allowing clients to open an account, make investments and perform services online, the platform offers, via website and mobile application, different products of independent managers and fixed income issuers, including our entire portfolio of products, in an open-ended infrastructure.











BTG Pactual Digital acts in two different segments: (i) B2C (business to consumer), in which the client accesses the platform directly and manages its investments independently, with the full support of our staff; and (ii) B2B (business to business), in which the client is assisted by a highly qualified IIA of Banco BTG Pactual. Accordingly, special attention is given when hiring service providers. We select those that are aligned with our culture, have clear compliance procedures and are highly committed to the interests of our clients.

BTG Pactual Digital began its operations in the Brazilian market in the B2C segment and, in 2018, expanded to the B2B segment with the purpose of providing the investment opportunities to a larger audience, including an offering with a complete range of products and services. Since then, we began expanding to the market of IIAs.

The gradual increase in the market of this type of professional is directly linked to the expansion of investments made through online platforms in recent years. Clients are changing their habits due to their dissatisfaction with products and services that are being offered, which increased investors' interest in financial education. Accordingly, it is an important part of our strategy to provide quality content on social media website and via influencers.

BTG Pactual Digital has been voted the best Brazilian bank for investment in the digital category, according to a survey conducted by FGV together with Fractal Consulting in 2018. In addition, our mobile application is among those with the best reviews within the sector in certain app stores, according to Apple and Android.

The following graphic illustrates our leading position relative to our competitors based on the 2018 FGV and Fractal Consulting survey:

		Grade		
		Jun-18	Feb-19	Oct-19
	BTG Pactual	4.6	4.7	4.7
	XP	2.0	3.2	4.7
	Rico	1.6	4.5	4.7
	Easynvest	2.3	2.8	4.6
	Modal Mais	4.6	4.7	4.6
	Ágora	n/a	1	4.1
	Guide	3.4	2.7	3.9
	Genial	2.9	3.8	3.5
	Órama	3.2	3.1	3.0
	Clear	1.9	1.7	1.5

Banco BTG Pactual is also the broker-dealer that is best reviewed on the website *Reclame Aqui*, based on information as of October 2019, as indicated below. Further, it is the only platform to receive the RA1000 certification for three consecutive periods:



Other Initiatives

Bit Pagg and Bit Seguros

Through our minority stakes in Bit Pagg and Bit Seguros, we also operate in the insurance distribution industry. The main purpose of these ventures is to strengthen our distribution channels through partnerships, focusing on improving the experience of clients when purchasing insurance.

Bit Pagg provides technological solutions that facilitate the sale of insurance in “long tail” retail channels to individuals and SMEs. Bit Pagg specializes in (i) sales platforms that integrate sales channels, (ii) anti-fraud systems, (iii) collection and processing of data, and (iv) procedures for digital hiring and issuance. Our main clients are major

insurance companies and distribution channels. Bit Seguros operates through its own retail distribution channels, always in partnership with the sales channel, taking advantage of the integration of risk-takers and providing innovative and automated solutions to its clients. We operate in this segment through several channels, such as banking correspondents, financial advisors and IIAs, broker-dealers, retailers and worksites.

boostLAB

boostLAB is our program for connecting and improving startups that are at an advanced stage, and we believe that it provides good opportunities for growth. The initiative aims at supporting entrepreneurs with the possibility of creating pilot projects together with Banco BTG Pactual, as well as its suppliers, partners and clients.

More than creating initiatives to boost innovation, boostLAB's ambition is to be the bank of startups and the technology sector in Latin America. It is a means by which entrepreneurs, investors and innovators can build their businesses. boostLAB aims to assist them in anticipating trends and recreating the future.

Decode

Decode is a company that maps product acquisition journeys through a portfolio of technologies, databases and data science, consequently creating tailored experiences based on consumers preferences, with a focus on activation and conversion.

Principal Investments

We continue to hold stakes in other companies that were originated from our historical principal investments activities, which are no longer a strategic focus of ours.

We have been reducing, through divestment of assets, our exposure in relation to certain of our principal investment activities, mainly our merchant banking, private equity and real estate investments. Given this trend, our principal investments have been significantly streamlined, and are now focused on the allocation of excessive proprietary capital, legacy investments and seed capital in certain funds as a minority investor up to specified limits. Our principal investments are primarily managed by our asset management group.

Following the divestment and sale of several assets in our historical merchant banking investment portfolio, our current Principal Investments activities relate mainly to (i) seed money in our investment products as a minority investor, with the objective that any such investments usually represent less than 10% of our total investments; (ii) an investment of 17.4% in our infrastructure fund, through which our main investment is Globonet; (iii) relatively small investments in real estate funds; and (iv) legacy assets, which comprise (a) PetroAfrica, a joint venture with Petrobras International Braspetro B.V. for oil and gas exploration and production in Africa, (b) Eneva S.A., a fully integrated energy company in Brazil, with businesses in power generation, energy commercialization, and exploration and production of hydrocarbons, and (c) BW Properties, a joint investment with WTorre Properties S.A. for real estate development focused on commercial development and long-term real estate investments.

Our principal investments also include proprietary investment activities involving a wide range of financial instruments, including merchant banking and real estate investments in Brazil, as well as a variety of financial investments in global markets.

We have proprietary investments in a diversified range of financial instruments across multiple asset classes and geographic regions. Our principal investments teams responsible for the management of such investments are located in São Paulo, Rio de Janeiro, New York, London, Santiago, Lima, Bogota, Mexico City and Buenos Aires. These teams focus on both developed and emerging markets, allocating capital across various underlying strategies that include a mix of emerging markets and global macro themes, including fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities and mortgages.

Our principal investments also involve arbitrage activities, by investing in a broad range of financial and equity instruments. The strategy of activities is based on making global investments through a diversified portfolio across different markets and event categories. Our investment decisions are the product of rigorous, fundamental, situational and regulatory and legal analysis.

For the years ended December 31, 2016 we posted a loss from our Principal Investments unit of R\$29.8 million, and, in the years ended December 31, 2017, 2018 and for the nine months ended September 30, 2019, our revenues were R\$15.1 million, R\$690.7 million and R\$716.9 million, respectively, representing 0.3%, 12.9% and 12.3%, respectively, of our total revenues.

Participations

Certain of our investments are characterized as Participations, and, as of September 30, 2019, they included: (i) a co-controlling interest, with 39.5% share ownership in Banco PAN, a commercial and consumer bank, focused on loans, mainly payroll-deducted loans; (ii) a 29.39% interest (such interest comprising investments in shares and investments through other instruments) in EFG, which we retained following our sale of BSI to EFG in November 2016, which we continue to hold pending regulatory approvals of the proposed transfer of approximately 25% of the total equity of EFG to BTG Pactual Holding, it being understood that while such transaction remains pending, the economic rights associated with the majority of Banco BTG Pactual's stake in such entity were transferred to BTG Pactual Holding on September 30, 2019; (iii) a 51.00% ownership interest in Too Seguros, a Brazilian insurance company providing insurance to individuals, which changed its name from Pan Seguros on November 27, 2018; and (iv) a 51.00% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments. Until September 30, 2019, we also characterized our remaining ownership interest in Engelhart CTP as a Participations investment, prior to the transfer of Neoport to BTG Pactual Holding on September 30, 2019.

For the years ended December 31, 2016, 2017 and 2018 and for the nine months ended September 30, 2019, our results from our Participations unit were R\$112.8 million, R\$15.5 million, R\$4.7 million and of R\$374.5 million, respectively.

Banco PAN

In May 2011, we purchased 100% of the shares in Banco PAN held by Grupo Silvio Santos for R\$450.0 million, representing a 37.64% stake in Banco PAN (composed of 51.00% of its voting shares and 21.97% of its non-voting shares). In connection with this acquisition, we and CaixaPar entered into a shareholders agreement which establishes the conditions for the shared control of Banco PAN. In addition, CaixaPar reiterated its commitment to preserve its strategic alliance with Banco PAN by entering into a cooperation agreement under which CaixaPar has agreed to acquire credits originated by, and invest in deposits issued by, Banco PAN, thus helping to support its future business. Banco PAN and CaixaPar also intend to expand the range of the financial products and services they offer through leveraging their distribution channels.

The banking supervision and compliance with regulatory capital requirements of Banco PAN are performed and measured on a segregated basis from those of ours. Accordingly, we calculate our regulatory capital without giving effect to the assets and liabilities, risks and financial position of Banco PAN, and we do not perform the proportional consolidation of Banco PAN into our balance sheet. This results in each of us and Banco PAN continuing to calculate the respective regulatory capital requirements on a stand-alone basis, as two independent banking entities.

In November 2010, prior to our acquisition, Banco PAN disclosed that a series of accounting inconsistencies had been uncovered at Banco PAN which resulted in losses totaling R\$2.5 billion. Upon such announcement, Grupo Silvio Santos and CaixaPar sought to prevent new inconsistencies by electing a new management team at Banco PAN. In addition, Grupo Silvio Santos agreed to make Banco PAN whole for such losses by injecting R\$2.5 billion of capital. Subsequently, additional financial irregularities totaling R\$1.3 billion and other adjustments totaling R\$500 million were identified. As a consequence, on January 31, 2011, Grupo Silvio Santos injected an additional R\$1.3 billion into Banco PAN and agreed to sell its stake in Banco PAN to us. We elected new officers and directors of Banco PAN in April 2011.

As a result of the aforementioned problems, which demonstrated significant weaknesses and irregularities of the existing accounting systems and internal controls of the institution, Banco PAN executed important investments in technology and processes in order to improve operational and competitive conditions of the bank.

We record the results of operations from Banco PAN using the equity method of accounting, pursuant to which our share of Banco PAN's net income or net losses, as deducted by accumulated loss adjustments relating to previous periods, is recognized in our income statement as equity pick-up from associates.

As of the date of this Offering Memorandum, we and CaixaPar are joint holders of all voting shares and 73.8% of Banco PAN's total capital stock.

Since the appointment of the new management team by the controlling shareholders in May 2011, Banco PAN has strategically diversified its business through a general restructuring, expanding products and services to focus on the following operating segments:

- *Consumer Lending.* Banco PAN offers credit for all automotive vehicle categories, including new cars, used cars, motorcycles and heavy vehicles.
- *Payroll Deduction Loans.* In this market segment, Banco PAN's business is focused on loans to pensions in Brazil's social security system, or INSS. In this sector, Banco PAN operates mainly through agreements with state governments, municipalities, military and government agencies. The main distribution channels for this sector are the correspondent banks that have direct access to the INSS.
- *Corporate Loans.* Banco PAN focuses its corporate loan business on customers with annual revenues between R\$100 million and R\$500 million, and seeks to focus on portfolio diversification. The main products offered are: (i) discounted trade bills; (ii) bank guarantees; and (iii) advances on exchange and export contracts.
- *Real Estate.* Banco PAN's main activities in the real estate industry include: (i) personal real estate financing for individuals; (ii) the acquisition of real estate receivables; and (iii) the issuance of mortgage backed securities.
- *Credit Cards.* Banco PAN has implemented a number of initiatives intended to improve its credit card base, including the redesign of its activation procedures and improvements to its Maxi Bônus rewards program and the loan recovery processes.

On September 24, 2019, Banco PAN completed a primary and secondary public offering of 126,500,000 preferred shares, pursuant to which Banco PAN issued and sold 63,250,000 preferred shares and CaixaPar sold 63,250,000 preferred shares, at an offering price of R\$8.25 per preferred share.

Too Seguros

As of the date of this Offering Memorandum, we hold a 51.00% ownership interest in Too Seguros, a Brazilian insurance company providing personal property insurance to individuals, which changed its name from Pan Seguros on November 27, 2018.

Pan Corretora

As of the date of this Offering Memorandum, we hold a 51.00% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments.

Competition

The financial services industry, and all of the businesses with which we operate, are intensely competitive, and we expect them to remain so. Our competitors are other investment banking and financial advisory firms, broker-dealers, commercial and universal banks, insurance companies, investment management firms, hedge fund management firms and other financial institutions. We compete with some of our competitors globally and with others on a regional, product or niche basis. We compete on the basis of a number of factors, including quality of personnel, transaction execution skills, investment track record, quality of client service, individual and institutional

client relationships, absence of conflicts, range of products and services, innovation, brand recognition and business reputation.

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products than we offer and have more extensive investment banking, principal investments, asset management and wealth management services, which may enhance their competitive position. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors.

We also face intense competition in attracting and retaining qualified employees and other personnel in each of our business units. We compete on the level and nature of compensation and equity-based incentives for key employees and other personnel. Our ability to continue to compete effectively in each of our business units will depend upon our ability to attract new highly qualified employees and retain and motivate our existing talent.

We believe that our main competitors (including their affiliates) across the seven business units in which we operate include the following:

Investment Banking. BB Banco de Investimento S/A, Banco Bradesco BBI S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A., N M Rothschild & Sons Limited, Banco Santander (Brasil) S.A., IM Trust S.A. (Credicorp), JP Morgan Corredores de Bolsa SPA (Chile), Deutsche Securities Corredores de Bolsa SPA (Chile) and UBS Brasil Serviços de Assessoria Financeira Ltda.;

Corporate Lending. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Santander (Brasil) S.A., Itaú Unibanco S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., HSBC Bank Brasil S.A. Banco Múltiplo and Corpbanca S.A.;

Sales and Trading. Banco do Brasil S.A., Banco Bradesco S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A., Banco Santander (Brasil) S.A., Larrain Vial S.A. Corredora de Bolsa, Itaú BBA Corredor de Bolsa Limitada and UBS Brasil Corretora de Câmbio, Títulos e Valores Mobiliários S.A.;

Principal Investments. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A. and Banco Santander (Brasil) S.A.;

Participations. Banco Votorantim S.A., Banco Bradesco S.A., Banco Safra S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Santander (Brasil) S.A.;

Asset Management. Banco do Brasil S.A., Itaú Unibanco S.A., BRAM Bradesco Asset Management S.A. DTVM, HSBC Bank Brasil S.A. Banco Múltiplo, Banco Credit Suisse (Brasil) S.A. BNY Mellon Serviços Financeiros DTVM S.A., Moneda Asset Management, Euroamerica Administradora General de Fondos S.A., Itaú Chile Administradora General de Fondos S.A. and UBS Consenso Participações S.A.; and

Wealth Management. Itaú Unibanco S.A., Banco Credit Suisse (Brasil) S.A., Banco do Brasil S.A., Banco Opportunity S.A., Banco Bradesco S.A., Banco Safra S.A. and UBS Consenso Participações S.A.

Risk Management

In the ordinary course of our business, we are exposed to various risks inherent to banking activities. The way we manage these risks directly affect our activities and operations and, consequently, our results of operations

and financial condition. Some of the most significant risks to which we are exposed to include market risk, liquidity risk, credit and counterparty risk, tax risk, operational risk and legal and regulatory risk.

Our management of these risks involves different levels of our management team and encompasses a series of policies and strategies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. In addition, a number of our committees are responsible for monitoring risk exposures and for general oversight of our risk management process. These committees (including their subcommittees), meet regularly and consist of senior members of both our business units and areas that are independent of our business units.

Information Technology

Information technology is an essential component of our business growth, and thus our information technology architecture has continuously been developed to increase the efficiency and reduce the operational risk of our business processes. Over the years we have developed a comprehensive and fully integrated system platform that supports all business lines, which we believe to be perfectly fitted to the Brazilian and international markets.

We have two main data centers, one in Rio de Janeiro and one in São Paulo, which are configured to act as back-up sites to each other. In addition to the Brazilian data centers, we have two others in New York and London to support our international business operations locally as well as function as back-up sites globally.

We believe that our security policy is well-disseminated among and adhered by our personnel. This policy regulates the access and use of all our information technology resources by our personnel, and encompasses human, physical and logical security requirements, as well as encrypted resources.

We are currently designing and developing what we consider to be a next generation platform to support the growth of our business for the next decade. The strategic projects that have been executed include the implementation of the leader Enterprise Resource Planning (ERP) system, the use of virtualization to optimize the use of the servers and the redesign of our international system platform to better support our international expansion.

Marketing

We believe that the strong recognition of our brand is primarily the result of the strong and transparent image we have built with our clients and the awards that we have received including being named The World’s Best Investment Bank in the Emerging Markets, Best Investment Bank in Latin America, Brazil and Chile by Euromoney magazine and Investment Bank of the Year Brazil and Latam by LatinFinance in 2019; Best Private Banking and leader in 9 out of 11 categories from Euromoney Ranking in Brazil, Best Private Banking in Latin America by Global Finance and Wealth Management Bank of the Year by LatinFinance in 2019; Best Bank to Invest (in digital banks category) in 2019 by FGV and Fractal Consult; #1 Research Team and Corporate Access in Latam in 2019 by Institutional Investor; Best Investment Manager and Best Equity Finance in Brazil in 2018 by Euromoney magazine; Best Private Bank for digital in Latam by PWM magazine in 2019; Wealth Management Company of the Year in Colombia and Investment Bank of the Year in Colombia, each in 2017 by The European; Best Global Macro Hedge Fund in 2017 by Eurohedge; Best Variable Income Fund Manager in Brazil in 2017 by Standard & Poor’s and Valor Econômico; Best Investment Banking Capabilities, Best Asset Management Capabilities and Best Research and Asset Allocation Advice, each in 2016 by Euromoney magazine. We believe that our strong recognition also helps us to attract new clients without significant marketing initiatives and signals our expertise in the market. Our marketing efforts are usually limited to specific and focused marketing events.

Human Resources

As of September 30, 2019, our personnel consisted of 2,867 employees (including full time employees, interns and outsourced employees) who perform a number of different supporting activities.

The table below shows the number of such individuals by geographic location as of the dates indicated:

Location	(Unaudited)			As of
	As of December 31,			September 30,
	2016	2017 ⁽¹⁾	2018	2019
Brazil				
Rio de Janeiro	368	336	319	378
São Paulo	741	800	963	1,264
Belo Horizonte	3	3	3	3
Porto Alegre	3	4	4	5
Recife	4	4	4	2
Brasília	3	3	—	—
Curitiba	4	4	2	3
United States				
New York	93	92	88	81
Stamford	—	2	3	3
Birmingham	1	—	—	—
Monticello	3	3	1	1
Miami	4	9	11	16
Atlanta	24	24	22	19
Winston Salem	1	1	—	—
Columbus	1	1	—	—
Columbia	1	3	—	—
United Kingdom	55	55	38	42
Chile	292	293	305	303
Peru	21	19	23	28
Colombia	229	241	238	237
Mexico	34	33	27	29
Argentina	4	14	15	18
Luxembourg	3	4	4	2
Bermuda	—	—	—	7
Outsourced	226	221	277	426
Total	2,121	2,169	2,347	2,867

(1) Does not reflect Engelhart CTP employees.

In order to meet Central Bank's requirements, as well as improve the quality of our credit products, we regularly provide classes, seminars and conferences for our personnel in their respective areas of expertise, including classes related to the prevention of money laundering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Legal and Regulatory Risk." We also regularly provide financial support to other classes and seminars requested by our personnel that we deem useful for our business operations.

In 2016, 2017, 2018 and the nine months ended September 30, 2019, we had personnel expenses of R\$1,676.6 million, R\$648.9 million, R\$ 776.8 million and R\$602.2 million, respectively, including expenses in connection with salaries, payroll charges and benefits. These benefits include: (i) meal vouchers, (ii) food vouchers, and (iii) medical and dental insurance. We also maintain a profit sharing plan regulated by a collective bargaining agreement with the National Banks Federation (*Federação Nacional de Bancos*) and the Banking Trade Union (*Sindicato dos Bancários*).

Our personnel based in Brazil are also members of the Banking Trade Union, and we are members of several bank associations. We believe that we have a good relationship with our employees and relevant unions and we have never experienced a strike or other labor conflict.

Properties

We have offices in Rio de Janeiro, São Paulo, Porto Alegre, Belo Horizonte, Recife, Curitiba, in Brazil, as well as offices in New York, Mexico City, London, Santiago, Lima, Medellin, Bogotá and Buenos Aires. We lease all of our offices.

All of our lease agreements are valid, with a specified term. There are no liens or encumbrances affecting the properties which we lease, and our use and operation of such properties do not violate any applicable laws.

Insurance

We maintain insurance policies to cover us against certain risks we believe may affect our operations. We only maintain insurance policies for our independent directors that provide coverage against risks associated with fraud, directors' and officers' liability, and other related risks which are customary in the industry in which we operate. Our insurance policies are renewed on an annual basis and contain standard terms and conditions applicable to insurance policies with similar coverage.

Our insurance policy for named perils provides coverage against damages to our furniture and devices within such premises caused by fire, lightning, explosions and electric damages, in our offices, as well any other damage caused by any of the events mentioned. The maximum recovery award under our two insurance policies that we maintain varies according to the covered location. Such award may be up to R\$120.0 million.

Intellectual Property

We have registered the trademark "BTG Pactual" in both word and combined forms before the Brazilian Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*), and before intellectual property agencies in several other countries, including the United States, Chile, Argentina and Mexico.

In addition, we have registered several other brands we use in Brazil and elsewhere such as "Latin Stockwatch" and "Brazil Follow the Money."

We own the domain names "pactual.com.br" and "btgpactual.com.br," among others, which are duly registered with NIC.br (*Núcleo de Informação e Coordenação do Ponto Br*), the entity responsible for registering domain names in Brazil.

Material Agreements

We are party to several agreements arising out of the normal course of our business, such as a broad range of financial agreements and other agreements, including for telecommunications services, supply of goods and information technology. We do not believe that any of those agreements taken individually is material to our financial condition results of operations.

In addition, we have entered into certain other material acquisition and sale agreements. We are party to material agreements relating to (i) the purchase and subsequent sale of BSI to EFG (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—BSI/EFG"), (ii) the spin-off of our commodities business (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Commodities Business Spin-Off and Transfer of Engelhart CTP"), (iii) the purchase and sale of certain loan portfolios (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Loans Recovery Activity and Sale of Neoport"), (iv) the recapitalization of Eneva (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Restructuring of Eneva"), and (v) the transfer of Neoport to BTG Pactual Holding (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Loans Recovery Activity and Sale of Neoport"). For additional information regarding these and other material contracts, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations," "Related Party Transactions," and "Our Partnership."

Legal Matters

We are a party to various judicial and administrative proceedings, including tax, labor, civil and regulatory proceedings, arising in the ordinary course of our business. As of September 30, 2019, our provisions for legal proceedings were R\$1,687.1 million and judicial deposits were R\$1,741.2 million, as detailed below. We believe that our provisions for judicial and administrative proceedings are sufficient to meet our probable losses.

We are a party to a number of legal proceedings involving the payment of certain taxes and contributions. Our principal legal proceedings are summarized below.

Tax Proceedings

As of September 30, 2019, we were party to approximately 612 legal proceedings involving the payment of certain taxes and contributions, representing contingencies in the total amount of approximately R\$11,682.7 million, for which provisions in the amount of R\$1,528.6 million and judicial deposits in the amount of R\$ 1,537.2 million have been made. The most relevant tax proceedings are the following:

- *Income and Social Contribution Taxes (IRPJ and CSLL).* In December 2015, we received a tax assessment in the total amount of R\$1,803.0 million, in respect of our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by Banco BTG Pactual. Such goodwill originated in connection with the acquisition of Banco Pactual by UBS in 2006 and then of UBS Pactual by BTG in 2009. This assessment relates to the amortization of goodwill that arose in 2010 and 2011. We filed an appeal of this tax assessment. In February 2017, a preliminary administrative decision was issued providing for a partial reduction of the tax assessment in the amount of R\$278.0 million. In March 2017, we filed a further appeal in response to the unfavorable portion of the administrative decision. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.
- In December 2017, we received a tax assessment in the total amount of R\$874.0 million, also alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by Banco BTG Pactual was inappropriate. Such goodwill originated in connection with the acquisition of Banco Pactual by UBS AG in 2006, UBS Pactual by BTG in 2009 and the private placement that occurred in 2010. This assessment relates to the amortization of goodwill that occurred in 2012. We have filed an appeal against this tax assessment. In October 2018, an unfavorable preliminary administrative decision was issued. In response to the administrative decision, we filed another appeal in November 2018. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.
- In December 2018, we received a tax assessment in the total amount of approximately R\$436.0 million, alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by Banco BTG Pactual was inappropriate. Such goodwill originated in connection with the acquisition of UBS Pactual by BTG in 2009 and the private placement to a consortium of international investors that occurred in 2010. This assessment relates to the amortization of goodwill that occurred in 2013. We filed an appeal of this tax assessment in January 2019. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.
- In February 2019, we received a tax assessment in the total amount of R\$263.0 million, alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by Banco BTG Pactual was inappropriate. Such goodwill originated in connection with the acquisition of UBS Pactual by BTG in 2009 and the private placement to a consortium of international investors that occurred in 2010. This assessment relates to the amortization of goodwill that occurred in 2014. We filed an appeal of this tax assessment in February 2019. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.

- In December 2018, we received a tax assessment in the total amount of R\$94 million, alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by BTG Pactual Gestora de Recursos was inappropriate. Such goodwill originated in connection with the acquisition of Brazilian Finance & Real Estate (BFRE) by BTG in 2012. This assessment relates to the amortization of goodwill that occurred in 2013 and 2014. In August 2019, an unfavorable preliminary administrative decision was issued. In September 2019, we filed an appeal. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.
- In December 2018, we became aware of a decision pursuant to which an offset in the amount of approximately R\$70.0 million of the IRPJ negative balance which related to the year 2013 was not recognized. In March 2019, we became aware of a decision pursuant to which an offset of the CSLL negative balance in the amount of R\$65.0 million related to the year 2019 was not recognized. In June 2019, an unfavorable preliminary administrative decision was issued. In response to the administrative decision, we filed another appeal in July 2019. In August 2019, an additional unfavorable preliminary administrative decision was issued. In response to the administrative decision, we filed an appeal in September 2019. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.
- In September 2019, we received a tax assessment notice for the collection of IRPJ, CSLL, PIS and COFINS, totaling R\$4.366 billion, alleging an improper setoff of tax losses and negative tax base of CSLL from 2014 to 2017 related to the acquisition of Bamerindus (Banco Sistema S.A.) in 2014, in relation to which BTG Pactual is jointly liable. In October 2019, we filed an appeal of this tax assessment. Based on the advice of our external legal counsel, we have not established (and do not expect to establish) any provisions related to this matter on the basis that the risk of loss is possible but not probable.
- *Social Security Contribution Tax (Contribuição para o Financiamento da Seguridade Social)* (“COFINS”). Such proceedings, which date back to February 1999, involve an aggregate amount of approximately R\$1,083.0 million, which is fully deposited and/or provisioned. In 1998, new tax legislation was enacted which required Brazilian companies to pay COFINS on revenues generated from financial investments (Brazilian Law No. 9,718/98). Prior to 1998, the Brazilian Federal constitution dictated that Brazilian companies were only required to pay COFINS taxes on revenues generated from operational activities. We challenged the assessment of COFINS on financial investments and claimed the right to calculate the tax pursuant to the Complementary Law No. 70/91, arguing that in order to expand the COFINS tax calculation basis, the Brazilian legislature was required to observe a constitutionally mandated waiting period prior to enacting such legislation. In December 2008, we obtained favorable decisions in part from the Federal Regional Court of Brazil, and in July 2010, we appealed the unfavorable portions of such decisions before both the Brazilian Superior Court of Justice and the Brazilian Supreme Court. In October 2015, Banco BTG Pactual’s appeal was denied by the Brazilian Superior Court of Justice. We are currently awaiting a decision from the Brazilian Supreme Court on our appeal, and in the meantime, our rights under the initial partially favorable decision are still in effect. We have been advised by our external legal counsel that we may lose these appeals.
- *Other Tax Proceedings.* As of September 30, 2019, we were a party to several additional tax proceedings, representing contingencies in the total amount of R\$2,008.0 million, for which no provisions were made. These proceedings include: (i) proceedings in the amount of approximately R\$625.0 million concerning payments related to our profit sharing program (PRL) challenging the social security contribution related to these payments and its non-deductibility from our income and social contribution tax base (IRPJ and CSLL, respectively); (ii) a proceeding in the amount of approximately R\$27.0 million related to the demutualization and IPO of the Bovespa and BM&F, challenging the taxation of PIS and COFINS on revenues arising from Banco BTG Pactual’s sale of these companies’ shares; (iii) a proceeding which totals R\$191.0 million involving PIS and COFINS due in 2012; (iv) a proceeding in the amount of approximately R\$75.0 million regarding the withholding tax related to a Brazilian asset sale made by a non-resident investor, in which case, Banco

BTG Pactual is jointly liable along with a third party; and (v) a proceeding in the amount of R\$1,090.0 million regarding IRPJ and CSLL potentially due upon the merger between One Properties and BR Properties, where we have been advised by our external legal counsel that the chances of loss are possible (50%). If we incur losses in connection with these matters, we believe we are entitled to be partially indemnified by third parties for such losses.

In October 2017, we, through BTG Pactual Holding Internacional S.A., received a tax assessment questioning the use of foreign tax credit to offset IRPJ and CSLL over foreign profits in 2012 with an amount involved of R\$156 million. We filed an appeal of this tax assessment. In December 2018, an unfavorable preliminary administrative decision was issued. In response to the administrative decision, we filed an appeal. In September 2019, a favorable decision was issued. We are waiting for the Federal Attorney's Office's appeal. We do not expect to incur any losses (other than litigation costs) in connection with this matter and have not established (and do not expect to establish) any related provisions.

In August 2017, we adhered to the Regularization Tax Program (PERT), established by Provisional Measure no. 783/2017, an amnesty program which allowed taxpayers to use net operating losses (NOLs) to pay 80% of its tax liabilities. The tax liabilities included in the mentioned program were related to the IRPJ and CSLL tax assessments that discuss the amortization of goodwill related to periods of 2007, 2008 and 2009, in an amount of R\$2,428 million as of August 31, 2017, in connection with the acquisition of Banco Pactual by UBS AG in 2006. We used NOLs from Banco BTG Pactual and its subsidiaries and joint controlled entities in the amount of R\$1,900 million; made a down payment of R\$487 million, equivalent to 20% of the tax debt, and received reimbursement in the amount of R\$806 million from UBS AG and a capital increase of R\$172 million from BTG Pactual Holding.

Labor Proceedings

As of September 30, 2019, we were a party to approximately 800 labor proceedings, of which less than 14.0% arise from former Banco BTG Pactual's employees, and for which provisions of R\$53.5 million have been made. Such claims brought by our former employees are mostly related to overtime payment claims. With respect to the remaining claims, most of them are from other companies' former employees and/or outsourced providers that request Banco BTG Pactual's joint liability on labor matters.

Civil and Other Proceedings

As of September 30, 2019, we were defendants in approximately 1,930 civil proceedings, representing estimated contingencies in the approximate amount of R\$6,134.4 million, for which provisions of R\$105.0 million have been made.

Corruption Allegations

In November 2015, André Santos Esteves, then the CEO, chairman and largest shareholder of Banco BTG Pactual, was temporarily taken into custody in Brazil in connection with allegations of obstruction of justice and participation in a criminal enterprise. Following such arrest, we conducted an internal investigation coordinated by an independent committee in conjunction with external legal counsel and forensic and financial consultants, and found no basis to conclude that the allegations of misconduct against Mr. Esteves, Banco BTG Pactual or our personnel that were the subject of the investigation are credible, accurate or otherwise supported by reliable evidence. On September 1, 2017, the Brazilian Federal Prosecutor's Office filed its closing arguments requesting the dismissal of all charges against Mr. Esteves. On July 12, 2018, Mr. Esteves was acquitted by the competent court of all charges and the case was officially closed on August 17, 2018.

According to the press, other corruption related allegations have been made against Mr. Esteves in the plea bargain agreements of Delcídio do Amaral Gomez, a former Brazilian senator, Antonio Palocci, a former Brazilian finance minister, Nestor Cerveró, a former Petrobras executive, and Fernando Soares, including (i) the alleged existence of a criminal organization involving various politicians and political parties, public agents, entrepreneurs and businessmen, acting to obtain undue payments on agreements with publicly owned entities; (ii) illicit payments in connection with PetroAfrica, our joint venture with Petrobras for oil and gas exploration in Africa; (iii) alleged corruption in connection with the exclusivity agreement in place between Distribuidora e Derivados do Brasil S.A., a gas station chain owned by certain of the Banco BTG Pactual Partners and BR Distribuidora, a Petrobras

subsidiary; (iv) alleged illicit payments made to the Brazilian Labor Party in order to secure a sympathetic relationship with the government regarding the financial structuring of pre-salt exploration and (v) alleged payment of bribes to former congressman Eduardo Cunha in exchange for his support on provisional tax measures that would be supposedly favorable to the BTG Pactual Group.

Regarding the allegation described in item (i) above, Mr. Esteves was investigated by the Brazilian Federal Prosecutor's Office, and on December 5, 2018, the Brazilian Supreme Court granted a motion to dismiss the investigations concerning Mr. Esteves, due to lack of evidence against Mr. Esteves to justify additional investigation on the matter.

Mr. Esteves has provided certain information to authorities in connection with the matters described in item (iii) above. In relation to item (v), investigations before the Brazilian federal courts remain ongoing pursuant to which Mr. Esteves has provided certain clarifications in connection therewith.

On August 23, 2019, the Brazilian Federal Police executed search and seizure operations in Banco BTG Pactual's offices in Rio de Janeiro and São Paulo and certain locations connected to Mr. Esteves in response to statements made by former Brazilian Minister Antonio Palocci related to the activities of PetroAfrica, as described in item (ii) above, as well as the BTG Pactual Group's investment in Sete Brasil Participações S.A., a company formed by Petrobras that has, as an indirect shareholder, an investment fund managed in which Banco BTG Pactual acts as manager and quotaholder. We are collaborating with the relevant authorities and believe that the allegations made by Mr. Palocci were already covered by the internal investigation conducted in 2015 mentioned above, which found no evidence of unlawful conduct.

On October 3, 2019, the Brazilian Federal Police acting in conjunction with the Brazilian Federal Prosecutor Office requested information from Banco BTG Pactual at its office in São Paulo relating to financial trades made by an investment fund of one of Banco BTG Pactual's clients named Bintang FIM for which BTG Pactual Group performed fund administration services without any discretionary management power or investment interests. Such information requests were made in response to statements made by former Brazilian Minister Antonio Palocci related to the alleged illegal leaking of SELIC rate information between 2010 and 2012.

In addition, a news article was circulated in the media in August 2019, which mentioned anonymous allegations made in June 2016 that alleged activities of embezzlement, tax evasion or money laundering by Banco BTG Pactual. We believe that the anonymous allegations lack substantial grounds and were not considered by the police authority to support its search warrant and, accordingly have not started any new investigation.

None of the foregoing matters, or other matters involving us, have resulted in criminal charges being brought against Mr. Esteves, us or any other Banco BTG Pactual employee, nor has Mr. Esteves, us or any other Banco BTG Pactual employee been indicted as part of the said investigations. Mr. Esteves and Banco BTG Pactual continue to cooperate with all authorities in any investigations that are proceeding and we continue to monitor the situation.

Nevertheless, we cannot predict whether any of the investigations mentioned herein will result in criminal charges being brought against Mr. Esteves or us, and what impact, if any, any such proceedings or investigations may or could have on Mr. Esteves or us and any of our businesses, including any potential fines and penalties, regardless of whether there is a determination of any wrongdoing.

XP Dispute

In December 2018, XP Investimentos S.A. ("XP") filed a lawsuit against us alleging a breach of the confidentiality agreement that we executed in the context of our engagement as underwriters in XP's contemplated initial public offering and simultaneously seeking to bar us from approaching independent financial advisors associated with XP to operate with BTG Pactual Digital on the basis that BTG Pactual would engage in anticompetitive practices. We filed a preliminary response to such lawsuit shortly thereafter. In the more recent decision, a lower judge indicated that there was not sufficient evidence to establish that we had improperly used confidential information for the development of BTG Pactual Digital (especially because the full list of independent financial advisers affiliated with XP is publicly available); however, a preliminary injunction was granted prohibiting us, among other matters, from approaching through our own initiative independent financial advisors

related to XP. On January 22, 2019, we filed (i) an appeal against this preliminary decision and (ii) a complaint with CADE accusing XP of anticompetitive practices and requesting an investigation due to XP's alleged non-compliance with an agreement signed with CADE in connection with Itaú Unibanco Holding S.A.'s acquisition of a 30% stake in XP. In April 2019, the Court of Appeals of the state of São Paulo granted our appeal, revoking the preliminary injunction granted in favor of XP and, thus, allowing us to freely approach and negotiate with independent financial advisors under contract with XP. Subsequently, XP filed a motion for clarification against this decision, which was granted in part for the sole purpose of clarifying that the independent financial advisors contracted by XP would be forbidden to disclose information to us protected by banking secrecy laws related to their business and customers when negotiating with us. In parallel, we submitted our response in the proceedings before the lower court. Additionally, we filed a counterclaim seeking damages from XP for slander. Both parties have submitted their briefs relating to the production of evidence. We are currently awaiting a decision of the lower court judge in relation to the production of evidence.

BSI Arbitration

In addition, we are party to a confidential arbitration procedure involving Banco BTG Pactual and Assicurazioni Generali S.p.A., relating to the acquisition of BSI S.A. The transfer of our interest in EFG, as described in this Offering Memorandum, is expected to include the transfer of all of our existing and potential future rights and obligations relating to EFG, including those arising from this arbitration. See "Related Party Transactions—Proposed Partial Transfer of Banco BTG Pactual's Stake in EFG to BTG Pactual Holding."

Regulatory Proceedings

We are exposed to significant regulatory action and supervision, mainly from the Central Bank and the CVM. We and eventually our officers could face claims and investigations related to our business activities, including with regard to our investment recommendations, compliance, internal controls and trading strategies. Settlements are frequently entered with the CVM.

In December 2016, CADE notified us that they had commenced an administrative proceeding against Banco BTG Pactual, one current employee and one former employee. The administrative proceeding arose from alleged anticompetitive practices in the FX spot and future markets (derivatives). They are related essentially to spot, forward and future operations conducted and settled in *reais*. According to CADE, the evidence identified communications among certain companies that took place in Bloomberg's chat rooms and supposedly revealed attempts to coordinate exchange operations, exchange risk positions, define prices to exchange and differential spreads, to share commercially sensitive information including negotiation activities, risk positions, and client information. The administrative defense before CADE was presented in January 2018.

Based on these facts, CADE notified the Central Bank informing them of the alleged irregularities. In December 2016, the Central Bank notified us that it had commenced an administrative proceeding involving Banco BTG Pactual and two of our officers in their capacity as responsible officers to investigate the same practices that were already under investigation by CADE, as well as the alleged insufficient internal control and risk management structures.

In October 2019, Banco BTG Pactual and two of our officers entered into a settlement agreement with the Central Bank in connection with the proceeding described above. Pursuant to this agreement, Banco BTG Pactual agreed to pay R\$800,000.00 and our two officers responsible for the matter each agreed to pay R\$100,000.00. Further, pursuant to this settlement agreement, we are required to conduct an assessment of our compliance and internal control structure and procedures in place for the management of our operational risks, which shall be completed within ninety (90) days as of execution of the settlement agreement. In this case, the settlement agreement did not constitute a confession, an admission of any wrongdoing or an acknowledgement by the accused that the conduct at issue was unlawful. The administrative proceeding initiated against us and our two officers will remain suspended until the Central Bank's decision attesting the fulfillment of the conditions set forth in the settlement agreement, resulting in the definitive closure of the administrative proceeding. In the event we and/or the responsible officers fail to comply with the terms of the settlement agreement, the administrative proceeding will resume.

In October 2017, the CVM initiated an administrative proceeding against Banco BTG Pactual (in its capacity as fund manager of Fundo de Investimento Multicredito Crédito Privado LS Investimento no Exterior (“FIM CP LS”)), in addition to other investment funds, individuals and financial institutions, regarding alleged short sale trading prior to the pricing of Oi S.A.’s follow-on equity offering. If the CVM concludes that Banco BTG Pactual participated in these short sales, penalties could be severe, including fines and/or temporary prohibition or suspension from operating. No director or other individual related to Banco BTG Pactual is party to this proceeding. Banco BTG Pactual’s defense was filed with the CVM in February 2018 and is currently under review.

MANAGEMENT

We are managed by our senior management team, a board of directors and a board of executive officers. In addition, we have also established an audit committee, a capital and risk committee, a compliance committee and a compensation committee.

Senior Management Team

Below is a summary of the business experience and other biographical information of our Senior Management Team, who is responsible for defining the general business policies and guidelines of the BTG Pactual Group, including its long-term strategies, and for controlling and monitoring its overall performance. Each member of our Senior Management Team is a Partner.

Roberto Balls Sallouti is the chief executive officer and a member of the board of directors of Banco BTG Pactual. Mr. Sallouti joined Banco BTG Pactual in 1994, and became a partner in 1998. He was named chief operating officer in 2008, having previously been responsible for Banco BTG Pactual's fixed income division. He was named chief executive officer in 2015. Mr. Sallouti received his bachelor's degree in economics, with concentrations in finance and marketing, from The Wharton School at the University of Pennsylvania.

John Huw Gwili Jenkins is a member of the board of directors of Banco BTG Pactual. Prior to joining BTG Pactual in 2009, Mr. Jenkins worked at UBS AG from 1996 to 2008, where he held several positions, including chief executive officer, global head of equities, head of equities for the Americas and head of Asia-Pacific equities. Prior to joining UBS AG, Mr. Jenkins worked at BZW Investment Management from 1986 to 1996 and Hill Samuel in 1986. Mr. Jenkins has spent most of his career based in Asia and the United States. Mr. Jenkins received his bachelor's degree with honors in sociology and psychology from the University of Liverpool, his MBA from the London Business School and has recently participated in the Executives in Residence program at the London Business School.

Antonio Carlos Canto Porto Filho is an executive officer of Banco BTG Pactual. Prior to joining Banco BTG Pactual in October 2008, Mr. Filho served as vice chairman of Banco BTG Pactual from 2006 to 2008. Mr. Filho joined Banco BTG Pactual in 1997 as a partner and served as executive director of private banking and a member of its executive committee. Prior to 1997, Mr. Filho worked for 28 years at Banco de Crédito Nacional, where he held various positions including vice president for financial management, leasing, insurance, real estate, legal and marketing from 1988 to 1997, and financial director from 1979 to 1988.

Rogério Pessoa Cavalcanti de Albuquerque is the head of the wealth management unit and executive officer of Banco BTG Pactual. Mr. Pessoa joined Banco BTG Pactual in 1998 and became a partner in 2004. Mr. Pessoa served as head of our wealth management unit from 2004 to 2009. Previously, Mr. Pessoa worked for Delta Bank as vice president of private banking and for Prudential Securities as a broker in the international client accounts division. Mr. Pessoa received his bachelor's degree in economics from the Catholic University of Rio de Janeiro and his MBA from the University of Illinois.

Eduardo Henrique de Mello Motta Loyo is a member of the board of directors of Banco BTG Pactual. Mr. Loyo joined Banco BTG Pactual in 2007, where he served as managing director and chief economist for Latin America. In addition, Mr. Loyo served as chief economist and executive officer of Banco BTG Pactual until July 2018. From 2005 to 2007, Mr. Loyo was executive director of the IMF, elected by Brazil and eight other countries. Mr. Loyo was deputy president of the Central Bank from 2003 to 2005, and a voting member of the COPOM. Since 2001, Mr. Loyo has been a professor of economics at the Catholic University of Rio de Janeiro and was assistant professor of public policy at Harvard University from 1998 to 2003. Mr. Loyo also held visiting faculty positions at Columbia University in 2003 and INSEAD in 2002. Mr. Loyo serves as a director of the Institute for Economic Policy Studies - Casa das Graças, a think tank in Rio de Janeiro. Mr. Loyo received his PhD in economics from Princeton University.

Guilherme da Costa Paes is the head of the investment banking unit and executive officer of Banco BTG Pactual. Mr. Paes joined Banco BTG Pactual in 1992 and became a Partner in 1998. Mr. Paes headed the oil and infrastructure sectors within the corporate finance division, participating in M&A and capital markets transactions.

Mr. Paes received his degree in business administration from Santa Úrsula University in Rio de Janeiro and his MBA from the Brazilian Institute of Capital Markets (“IBMEC”) with a concentration in finance.

Renato Monteiro dos Santos is an executive officer and the head of FICC of Banco BTG Pactual. Mr. Santos joined Banco BTG Pactual in 1997 and became a partner in 2001. Mr. Santos served as head of the Brazil rates desk and head of FICC Latin America from 2006 to 2008. Mr. Santos began his career at Banco BTG Pactual in 1997 as a trader, serving as head of Latin America fixed income markets from 2004 to 2006. Mr. Santos received a bachelor’s degree in business administration from FGV-SP and a bachelor’s degree in economics from the University of São Paulo.

André Fernandes Lopes Dias is the chief risk officer and an executive officer of Banco BTG Pactual. Mr. Fernandes joined Banco BTG Pactual in 1997 and, in 2004, assumed responsibility for the control of credit risk. In 2006, he became an executive director in charge of credit risk control at UBS AG, a position he held until 2009. Prior to joining Banco BTG Pactual, Mr. Fernandes worked as an auditor at KPMG. Mr. Fernandes received his business administration degree from the Catholic University of Rio de Janeiro.

João Marcello Dantas Leite is head of finance and tax of Banco BTG Pactual and an executive officer of Banco BTG Pactual. Mr. Dantas acted as the investor relations officer of Banco BTG Pactual until October 2018. Mr. Dantas joined Banco BTG Pactual in 1993 as head of the fiscal department, and in 1997 he assumed the position of controller. Prior to joining Banco BTG Pactual, Mr. Dantas worked in tax consultancy at Arthur Andersen. Mr. Dantas is a member of the board of directors of ANBIMA. Mr. Dantas received his bachelor’s degree in economics from the University Cândido Mendes.

Board of Directors

Our board of directors is responsible for, among other things; (i) setting the general guidelines of the company’s business; (ii) electing, supervising and removing our executive officers, in addition to establishing their area of competence and supervising the other members of our management team.

The members of our board of directors are elected and can be removed at any time by our shareholders’ meetings in accordance with the terms and conditions of our bylaws, Brazilian Corporations Law and the Partner Brazil Shareholders Agreement. Each such director is elected for a one-year term, and may be reelected. Under our bylaws, the board of directors shall be composed of five to eleven members, one of whom is designated as chairman and one of whom is designated as vice chairman.

Under Brazilian Corporations Law, the adoption of a cumulative voting process to elect board members may be required by the shareholders holding at least 10.0% of our voting capital. Under such procedure, each voting share shall be granted a number of votes equal to the number of directors to be elected, and shareholders shall have the right to cumulate votes in a single candidate or distribute them among several candidates. In addition, minority shareholders whose interest in the voting shares represent a minimum of 15.0% of our voting capital stock have the right to elect one director in a separate voting process. Moreover, minority shareholders whose interest in our preferred shares representing at least 10.0% of our capital stock have the right to elect one member of the board of directors by a separate voting process. In addition, in case minority shareholders do not reach the 15.0% and 10.0% thresholds, they may combine their holdings in common and preferred shares so that they jointly hold at least 10.0% of the capital stock and, therefore, are able to elect one director in a separate voting process. As a result, minority shareholders may be entitled to elect up to two members of the board of directors by the separate voting process in addition to any additional members elected through the cumulative voting process. However, whenever the directors are elected by the cumulative voting process and the minority shareholders exercise their right to elect directors in a separate voting process, Brazilian Corporations Law allows holders (or group of holders bound by voting agreements) representing more than 50% of the voting shares the right to elect the same number of directors elected by minority shareholders via the cumulative and separate voting processes, plus one, regardless of the number of board members specified in the bylaws.

Our capital stock consists of common shares representing approximately 66% of our total capital stock and preferred shares representing approximately 34% of our total capital stock. As of the date of this Offering Memorandum, our board of directors is composed of seven elected members, two of whom are independent directors.

The table below shows the name, position and date of election of each member of our board of directors as of the date of this Offering Memorandum:

Name	Position	Election Date ⁽¹⁾
Nelson Azevedo Jobim.....	Chairman of the Board	April 29, 2019
John Huw Gwili Jenkins.....	Vice Chairman of the Board	April 29, 2019
Roberto Balls Sallouti	Director	April 29, 2019
Cláudio Eugênio Stiller Galeazzi.....	Independent Director	April 29, 2019
Mark Clifford Maletz	Independent Director	April 29, 2019
Guillermo Ortiz Martínez	Director	April 29, 2019
Eduardo Henrique de Mello Motta Loyo.....	Director	April 29, 2019

(1) Refers to date of most recent election.

The business address of each member of our board of directors is Praia de Botafogo, 501, 5º e 6º andares, Rio de Janeiro, RJ-22250-040, Brazil.

Below is a summary of the business experience and other biographical information of our board of directors.

Nelson Azevedo Jobim is the Chairman of our board of directors. Mr. Jobim served in various capacities in the public sector, including as a member and President of the Federal Supreme Court from 1997 to 2006, Minister of Justice, Minister of Defense, President of the National Council of Justice and President of the Electoral Superior Court. Mr. Jobim received his bachelor's degree in law and social sciences from the Universidade Federal do Rio Grande do Sul in 1968.

John Huw Gwili Jenkins is a member of our board of directors. For a summary of Mr. Jenkins' business experience and other biographical information, see "—Senior Management Team" above.

Roberto Balls Sallouti is a member of our board of directors. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

Cláudio Eugênio Stiller Galeazzi is an independent member of our board of directors, according to the rules of the Level 2 segment of the B3 Exchange. Mr. Galeazzi joined Banco BTG Pactual in August 2010 as a partner. Throughout his career, he has been involved in consulting, restructuring, turnaround, interim management and managing well-known companies in the real economy. He held senior positions in several companies, such as, commercial vice-president of British Petroleum mining company in Brazil and chief executive officer of the following companies, Cia Estanifera do Brasil (CESBRA); Vila Romana and VR; Laticineos MOCOCA; ARTEX; LOJAS AMERICANAS; SENDAS; CBD (*Grupo Pão de Açúcar*); and CECRISA. Mr. Galeazzi is a certified public accountant. He served as president of the Conselho Nacional do Sesi in Brasília for five years, director of Instituto Euvaldo Lodi and FIESP (*Federação das Industrias de São Paulo*) and vice-president of ANFAC (*Associação Nacional de Factoring*). He also served as board member and consultant of several companies and is the founder of Galeazzi Associados. He currently serves as director of MAM (*Museu de Arte Moderna de São Paulo*).

Mark Clifford Maletz is an independent member of our board of directors, according to the rules of the Level 2 segment of the B3 Exchange. Mr. Maletz is a senior fellow at the Harvard Business School and an internationally recognized expert in the areas of strategy, leadership development and organizational transformation. Prior to his time at Harvard Business School, he was a partner at McKinsey and Company where he worked in the organization practice. Mr. Maletz was also previously a professor at Babson College. Mr. Maletz is a founder of the Center for Research on Corporate Performance, the chairman emeritus of the EastWest Institute and a member of the board of Global Capacity. Mr. Maletz received his AB from Dartmouth College and a masters in Cognitive Science, masters in Computer, Information and Control Engineering and a PhD in Communication Sciences from the University of Michigan.

Guillermo Ortiz Martínez is a member of our board of directors. He is currently a board member of several Mexican companies (including Orbia, Mexichem, ASUR and VITRO). He has held other senior positions, such as, executive officer of the International Monetary Fund (IMF) between 1984 and 1988, and as President of the

Bank of Mexico between 1998 and 2009. Mr. Ortiz holds a bachelor's degree in economics from Universidad Nacional Autónoma de México and a master's degree and a PhD in economics from Stanford University.

Eduardo Henrique de Mello Motta Loyo is a member of our board of directors. For a summary of Mr. Loyo's business experience and other biographical information, see "—Senior Management Team" above.

Board of Executive Officers

Under our bylaws, our board of executive officers must be composed of two to sixteen members (up to two of them may be designated as the chief executive officers, one of them will be designated as investor relations executive officer, up to seven of them as senior vice-presidents and others as executive officers). Our executive officers are our legal representatives, responsible for the day-to-day management of our operations and for implementing the policies and general guidelines, among others, set by the shareholders' meetings and by our board of directors. The designation of the members of our board of executive officers occurs at the time of election.

Under Brazilian Corporations Law, our executive officers must reside in Brazil, but do not need to be shareholders.

Pursuant to our bylaws, our executive officers are elected by our board of directors for three-year terms, with re-election being permitted. Under Brazilian Corporations Law, a maximum of one-third of our directors may also serve as executive officers. In addition, executive officers may be removed at any time pursuant to a decision taken by our board of directors.

Our board of executive officers is composed of fourteen members. The table below shows the name, position and date of election of each of our executive officers as of the date of this Offering Memorandum:

Name	Position	Election Date ⁽¹⁾
Roberto Balls Sallouti	Chief Executive Officer (CEO)	April 28, 2017
Antonio Carlos Canto Porto Filho	Senior Vice President	April 28, 2017
Guilherme da Costa Paes.....	Executive Officer	April 28, 2017
João Marcello Dantas Leite	Executive Officer (CFO)	April 28, 2017
Oswaldo de Assis Filho.....	Executive Officer	April 28, 2017
Renato Monteiro dos Santos.....	Senior Vice President	April 28, 2017
Rogério Pessoa Cavalcanti de Albuquerque	Executive Officer	April 28, 2017
André Fernandes Lopes Dias.....	Executive Officer (CRO)	April 28, 2017
Iuri Rapoport	Executive Officer	April 28, 2017
Bruno Duque Horta Nogueira.....	Executive Officer	April 28, 2017
Mariana Botelho Ramalho Cardoso.....	Executive Officer (CCO)	April 28, 2017
Pedro Bueno da Rocha Lima.....	Executive Officer	April 27, 2018
Marcelo Flora Sales.....	Executive Officer	January 9, 2019
Alexandre Camara e Silva	Executive Officer	January 9, 2019

(1) Refers to date of most recent election.

The business address of each member of our board of executive officers is Praia de Botafogo, 501, 5º e 6º andares, Rio de Janeiro, RJ-22250-040, Brazil.

Below is a summary of the business experience and other biographical information of our board of executive officers.

Roberto Balls Sallouti is the chief executive officer of Banco BTG Pactual. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

Antonio Carlos Canto Porto Filho is an executive officer of Banco BTG Pactual. For a summary of Mr. Porto Filho's business experience and other biographical information, see "—Senior Management Team" above.

Guilherme da Costa Paes is an executive officer of Banco BTG Pactual. For a summary of Mr. Paes' business experience and other biographical information, see "—Senior Management Team" above.

João Marcello Dantas Leite is the chief financial officer of Banco BTG Pactual. For a summary of Mr. Dantas' business experience and other biographical information, see “—Senior Management Team” above.

Oswaldo de Assis Filho is an executive officer of Banco BTG Pactual. Prior to this, Mr. Assis Filho was responsible for the commercial coverage of the insurance, banking and textile sectors of the investment banking business unit of BTG Pactual. Mr. Assis Filho has worked in financial institutions since 1976 and, before joining Banco BTG Pactual, he was vice-president of Banco de Crédito Nacional. He graduated from Instituto Tecnológico da Aeronáutica, where he received a bachelor's degree in electrical engineering in 1973. He also has a master degree in economics from Universidade de São Paulo. Mr. Assis Filho has been a partner of Banco BTG Pactual since 1997.

Renato Monteiro dos Santos is an executive officer of Banco BTG Pactual. For a summary of Mr. Santos' business experience and other biographical information, see “—Senior Management Team” above.

Rogério Pessoa Cavalcanti de Albuquerque is an executive officer of Banco BTG Pactual. For a summary of Mr. Albuquerque's business experience and other biographical information, see “—Senior Management Team” above.

André Fernandes Lopes Dias is the chief risk officer of Banco BTG Pactual. For a summary of Mr. Fernandes' business experience and other biographical information, see “—Senior Management Team” above.

Iuri Rapoport is an executive officer of Banco BTG Pactual. He joined the BTG Pactual Group in 1995 and became a partner in 2001. In 1999, he became co-head of the legal department and served as general counsel between 2003 and 2009. From 2008 to 2011, he was an executive officer responsible for strategic decisions, prior to leaving the BTG Pactual Group to assume the position of chief operating officer at Banco Pan. In February 2014, Mr. Rapoport returned to the BTG Pactual Group as an executive officer focused on operational and strategic management. Mr. Rapoport received his bachelor's degree in law (with specialization in business law) from University of São Paulo and holds an LLM - Master of Laws (international finance) from King's College London, University of London.

Bruno Duque Horta Nogueira is an executive officer of Banco BTG Pactual. He joined the BTG Pactual Group in 2000 and became a partner in 2009. Mr. Duque has served in a variety of positions in the legal department of Banco BTG Pactual and since 2012, has overseen the legal department for all of Latin America. Prior to joining the BTG Pactual Group, Mr. Duque worked in the Brazilian electricity sector, working in the legal departments of Eletropaulo and Grupo Rede and in the consulting department of the National Electric Energy Agency. Mr. Duque received his bachelor in law from the Universidade São Paulo (USP).

Mariana Botelho Ramalho Cardoso is the chief compliance officer of Banco BTG Pactual. Mrs. Cardoso is head of the anti-money laundering (AML) department of Banco BTG Pactual. She joined Banco BTG Pactual in 1996 and became a partner in 2006. She has spent sixteen years of her career in the Investment Fund Industry and since 2016, joined the Compliance Department of BTG Pactual. Mrs. Cardoso received her bachelor's degree in economics from the Federal University of Rio de Janeiro.

Pedro Bueno da Rocha Lima is the investor relations officer and an executive officer of Banco BTG Pactual. Mr. Lima joined Banco BTG Pactual in 2007, and worked in Investment Banking, responsible for several transactions in the insurance, health, retail market industries, as well as capital markets and mergers and acquisition transactions generally. In 2012, he became head of the Investor Relations and Corporate Finance department of Banco BTG Pactual. Prior to joining Banco BTG Pactual, he worked in the strategic and financial planning area of Pfizer Inc. and the Mergers and Acquisitions division of Rabobank. Mr. Pedro Lima holds a bachelor's degree in business administration from Fundação Getúlio Vargas - FGV / SP.

Marcelo Flora Sales is an executive officer of Banco BTG Pactual. Mr. Flora is responsible for BTG Pactual Digital, an online retail platform, and for the life insurance and pension segment, focused on Wealth Management and retail clients. Mr. Marcelo Flora Sales joined BTG Pactual in 2000 and served, in this period, as responsible for the Distribution area of the Asset Management segment and the FICC Products Distribution of Banco BTG Pactual. Mr. Flora holds a bachelor's degree in Civil Engineering from UERJ - Universidade do Estado do Rio de Janeiro, the State University of Rio de Janeiro.

Alexandre Camara e Silva is an executive officer of Banco BTG Pactual. Mr. Camara is responsible for the Special Situations area, whose activities are related to structured corporate credit operations, Non-Performing Loans, rogatory letters and Legal Claims, High Yield Credit and Structured Finance. Mr. Camara joined BTG Pactual in 2003 and also served as Credit Officer of Banco Prosper and responsible for the Middle Corporate Credit area of Banco BBM. Mr. Alexandre Camara e Silva holds a bachelor's degree in Electrical Engineering from PUC-Rio and received his MBA in Finance and Economics and Business Law from FGV-RJ.

Management of our Cayman Islands Branch

Our Caymans Islands Branch does not have a separate management board and it is managed by our board of directors and our board of executive officers.

Compensation

General

In 2018, we paid an aggregate of R\$73,776,000.00 to the executive officers and directors of Banco BTG Pactual.

Under Brazilian law, our shareholders are responsible for establishing the aggregate amount of compensation that may be paid to our executive officers and directors. Our board of directors in turn allocates such aggregate amount among our directors and executive officers.

Committees

Fiscal Council

Under Brazilian Corporations Law, a company may form a fiscal council to operate as a corporate body independent of its management and its independent auditors. A fiscal council may be either permanent or non-permanent. A non-permanent fiscal council is formed at the request of shareholders that represent at least 10.0% of the voting shares or 5.0% of the non-voting shares. Such request may be made at any shareholders' meeting. Our bylaws provide that our fiscal council is a non-permanent body, which, when formed, is composed of a minimum of three and a maximum of five members and their respective alternates, according to Brazilian Corporations Law, and will remain in place for the entire fiscal year in which it was formed. As of the date of this Offering Memorandum, our fiscal council has not been formed.

Under Brazilian Corporations Law, the fiscal council may not include members that are (i) on our board of directors, (ii) on our board of executive officers, (iii) employed by us, (iv) employed by a subsidiary or company under common control with us or (v) spouses or close family members of any member of our board of directors or board of executive officers.

Audit Committee

On May 27, 2004, the CMN issued Resolution No. 3,198, as amended, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as to clearing houses and clearing and custody service providers. Resolution No. 3,198 requires financial institutions holding a regulatory capital or managing third parties' wealth in amounts equal to or greater than R\$1 billion, among other entities, to create an independent corporate body designated as an audit committee. Our audit committee may be composed of three to six members, and is currently composed of three independent members elected by our board of directors. As of the date of this Offering Memorandum, the members of our audit committee are Anibal Cardoso Joaquim, Pedro Paulo Longuini, Cláudio Eugênio Stiller Galeazzi and Sidnei Corrêa Marques. The current composition of our audit committee is in compliance with the CVM Instruction No. 308, which requires the presence of an audit committee in public companies.

Our audit committee is not in compliance with the audit committee requirements mandated by the U.S. Sarbanes-Oxley Act of 2002, nor are we subject to such requirements. In general terms, the audit committee's duties are to supervise the activities of the internal and independent auditors, evaluate the adequacy of the internal controls system and corporate governance practices, and assess whether our books and records are handled appropriately.

Capital and Risk Committee

Our capital and risk committee's purpose is to assist the board of directors in the oversight of the risks we undertake, including market, credit, operational, environmental and liquidity risks and our capital consumption. In general terms, our capital and risk committee is responsible for reviewing and discussing with the management (i) our capital plan and ratios, (ii) liquidity risk metrics, strategy and control, (iii) market and credit risk management policies and controls, and (iv) operational and environmental risks control. Our capital and risk committee is composed of three members, a majority of which is considered independent in accordance with paragraph 5 of article 45 of CMN Resolution No. 4,557.

As of the date of this Offering Memorandum, the members of our capital and risk committee are João Marcello Dantas Leite, Thomas Coletti and Rogério Paes Barreto.

Compliance Committee

In general terms, our compliance committee's duty is to:

(i) work together with the Board of Directors on the definition of best-practice strategies, policies and measures, with the purpose to identify risks, as well as to prevent, detect and correct issues related to non-compliance with regulatory matters;

(ii) develop management strategies related to compliance risks (i.e., financial and reputational risks derived from non-compliance with local and global rules, regulations or best practices, including ethic principles and internal rules of Banco BTG Pactual), adopting effective institutional compliance programs that are sufficient to ensure the assessment of the conformity of BTG Pactual Group's practices to applicable rules and regulations, as well as potential reputational impacts in its business; and

(iii) ensure that BTG Pactual Group always comply with applicable ethical principles defined by local and international laws, as well as values and standards established by its Code of Business and Ethic Principles, when conducting its activities.

As of the date of this Offering Memorandum, the members of our compliance committee are Nelson Jobim, Roberto Balls Sallouti, Claudio Galeazzi, Mariana Cardoso and Bruno Duque.

Compensation Committee

Our compensation committee is responsible for discussing and approving matters related to compensation, preserving the partnership model and aligning our long-term interests with those of our employees and shareholders. Our compensation committee's principal functions are (i) approval of the granting of stock options, (ii) discussion and analysis of our existing compensation models and (iii) evaluation and approval of the compensation packages proposed by the chief executive officer for our executive officers, including the fixed and variable compensation components and benefits and long-term incentive compensation, when applicable.

As of the date of this Offering Memorandum, the members of our compensation committee are Renato Monteiro dos Santos, Roberto Balls Sallouti and Mateus Ivar Carneiro.

OUR PARTNERSHIP

Our Partnership

We believe the key to our success is our partnership model. We believe this model (i) fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment, (ii) substantially enhances the integration of our various business units and maximizes cross-selling of our products, (iii) allows us to maintain an intense, long-term and recurring commitment to our clients, and identify and capitalize on opportunities in the Brazilian and international financial markets, (iv) substantially enhances our ability to attract the best available talent and (v) greatly facilitates our ability to consistently maintain a lean and cost efficient organizational structure. As a result of this model, and the integration of our businesses, we have a diversified revenue mix and low cost to income ratio and have consistently achieved financial results that we believe exceed those of our competitors.

Description of Partnership Model

Partners are admitted to and leave our partnership by purchasing and selling equity interests in BTG Pactual Holding, with respect to their equity interest indirectly held in Banco BTG Pactual. As described below, the partnership has the right to purchase all or part of any Partner's Partnership Equity at any time and for any reason, without the consent of the affected Partner. In addition, any Partner leaving his or her full time employment with the BTG Pactual Group has the right to sell all of its Partnership Equity to certain entities that are wholly-owned by the Partners but may not sell to any other third party except as described below.

These purchase and sale transactions are effected at the book value of such interests at the time of the transaction in question (unless the market price at such time is less than book value, in which case the transaction will be effected at such lower price), even if the value of the Partnership Equity is substantially higher than the book value.

The purchase and sale of Partnership Equity occurs in a number of circumstances, including, but not limited to (i) the periodic review of the performance of Partners and employees whereupon we may determine to reallocate the Partnership Equity among our Partners and to promote certain high performing employees, who previously did not own Partnership Equity, to Partner status, simultaneously reducing the Partnership Equity held by certain other Partners (the "Reallocation Transfers") or (ii) admission of individuals as new Partners in connection with the commencement of their activities as executives within the BTG Pactual Group. These reallocations and decisions to admit new Partners are done on a meritocratic basis, following discussions among the Senior Management Team, in an effort to reward individuals who are determined to be making significant contribution to the BTG Pactual Group and who are also perceived to share our partnership culture.

The entity utilized as the purchaser of the Partnership Equity transferred in the circumstances described above is BTG Pactual Holding, which is wholly-owned by our Partners. Partners entering the partnership or increasing their interest through the allocation and purchase of new interests can receive financing for such purchases from PPLA Investments, BTG MB Investments L.P. and/or Banco BTG Pactual S.A. – Cayman Branch to the extent they did not have the resources available to effect such purchases.

In order to ensure that the interests of our Partners and our public shareholders are aligned, and to perpetuate the model that we believe is the key to our success, we have implemented several concrete steps to maintain our partnership model after our initial public offering. These mechanisms result in the economic burden of incentivizing our most important executives (other than to the extent of costs relating to salaries, bonuses and the cost of PPLA Investments, BTG MB Investments L.P. and/or Banco BTG Pactual S.A. – Cayman Branch providing financing to Partners that purchase Partnership Equity) being borne by our Partners (through future dilution), rather than being shared with our public shareholders.

Restrictions on Sales of Partnership Equity

The Partnership Equity is subject to substantial transfer restrictions. These restrictions are primarily designed to maintain our partnership by preventing Partners from selling their Partnership Equity other than as described above with respect to sales among Partners (through BTG Pactual Holding), subject to certain limited exceptions described below. The Partnership Equity does not include, and the transfer restrictions described in this

section do not apply to, our equity securities purchased by the Participating Partners at the same time and on the same terms and conditions as a consortium of international investors, or the common shares and class A preferred shares of us acquired by BTG Pactual Holding in our initial public offering. Such transfer restrictions do also not apply to any of the equity securities purchased in the market or from third parties who are not Partners or affiliates of Partners (see “Principal Shareholders”).

The Partnership Equity may not, directly or indirectly, be transferred or otherwise sold by any Partner, except for “Permitted Partner Transfers” which are limited to transfers:

- to certain related parties that are Permitted Transferees of the transferring Partner;
- pursuant to Reallocation Transfers;
- on a pro rata basis by the Partners to a “Strategic Investor” (as defined below), provided that any such transfer is subject to the approval of our controlling shareholder;
- in connection with a “Change of Control” (as defined below), including pursuant to a mandatory tender offer initiated by the person or group that is acquiring control of us in connection therewith, provided that any such Change of Control will require the approval of our controlling shareholder;
- to a lender in connection with the foreclosure by such lender on a loan that created a lien on such Partnership Equity, provided that such transaction has been approved by our controlling shareholder; and
- pursuant to a certain Partner withdrawal agreement to the extent necessary to facilitate any of the foregoing permitted transfers.

We currently intend to keep these provisions in place with respect to all of the Partnership Equity for the foreseeable future, and are aware of no conditions that would cause us to believe that there is any likelihood that we will modify such provisions.

However, from time to time we consider the specific provisions of our partnership and believe it is important to retain the flexibility to implement changes that we believe to be in the best interests of our business. Accordingly, it is possible, although currently not anticipated or even considered likely, that such provisions may be modified at some future date.

For purposes of the foregoing:

- “Change of Control” means a transaction or series of related transactions (other than Reallocation Transfers) pursuant to which our current or future Partners (including any entity that is wholly-owned by such Partners as a group) dispose of or sell, whether directly or indirectly, more than 50% of our common shares to any person or group of persons that is or are not prior to the time of such transaction or the beginning of the series of related transaction, and will not in connection with such transaction or series of related transaction, become, employees, officers, consultants, Partners or other individuals that provide similar full-time services to the BTG Pactual Group;
- “Permitted Transferee” of a Partner means (i) any spouse (current or former), sibling, lineal descendants, ancestors, heirs, testamentary trustees or legatees of such Partner or of any spouse of such Partner; (ii) any entity that is controlled and wholly-owned by such Partner or any person described in clause (i) above, for so long as it remains such or (iii) any trust (including a charitable remainder trust) or similar arrangement of which such Partner (or any distributee of such trust if such distributee is a person described in clause (i) above) is the primary beneficiary or has an interest; and
- “Strategic Investor” means any *bona fide* third party investor that is unaffiliated with the BTG Pactual Group if BTG Pactual Holding and PPLA GP jointly and reasonably determine in good faith that the inclusion of such investor as a holder of equity securities of BTG Pactual can reasonably be expected

to enhance the earnings, customer base, business reputation, distribution network or prospects of, or products offered by, the BTG Pactual Group.

Partner Non-Competition Agreements

Each of the members of the Senior Management Team have entered into restrictive covenant agreements and for a period of 12 months following the date such member of the Senior Management Team is no longer providing full-time services to, or acting in a similar capacity with respect to, the BTG Pactual Group. Such members of the Senior Management Team have agreed to the following restrictions, among other customary restrictions (including those relating to treatment of confidential information and non-disparagement), any of which may be waived by us at any time: non-competition, non-solicitation of employees and non-solicitation of clients.

Shareholders Agreements

Partner Brazil Shareholders Agreement

The Partners, BTG Pactual Financeira, BTG Pactual Holding and us are parties to a shareholders agreement (the “Partner Brazil Shareholders Agreement”) which governs the relationship among the Partners with respect to their ownership of the shares of BTG Pactual Holding. The Partner Brazil Shareholders Agreement does not apply to the Partners in their capacity as Participating Partners in respect of our common shares and class A preferred shares acquired by the Participating Partners in the open market or upon the same terms as a consortium of international investors in December 2010.

Controlling Partners Shareholders Agreement

The Controlling Partners, BTG Pactual Financeira, BTG Pactual Holding, G7 Holding and we are parties to a shareholders agreement (the “Controlling Partners Shareholders Agreement”), which governs the relationship among the Controlling Partners with respect to their ownership of the shares of BTG Pactual Holding, and the manner in which the Controlling Partners exercise control of BTG Pactual Holding and, indirectly, us.

This Controlling Partners Shareholders Agreement stipulates that certain matters must be submitted to a vote of the Controlling Partners at a general meeting, including, among other matters: (i) any changes to the rights or preferences of G7 Holding’s issued shares, (ii) issuing a new class of G7 Holding shares, (iii) G7 Holding entering into certain corporate transactions such as mergers and acquisitions, (iv) amending the constitutive documents of G7 Holding, (v) any matters that would affect the control of BTG Pactual Holding by G7 Holding or affect the control of Banco BTG Pactual by BTG Pactual Holding and (vi) prior to the exercise of voting rights at a general shareholders’ meeting or board of directors meeting of BTG Pactual Holding. In the event that any clause under the Controlling Partners Shareholders Agreement conflicts with the Partner Brazil Shareholders Agreement or any other related agreement, the Controlling Partners Shareholders Agreement will always prevail.

On December 28, 2018, the Controlling Partners Shareholders Agreement was amended to reflect: (i) the transfer of Marcelo Kalim’s ownership interest in G7 Holding; (ii) the entry of André Esteves as one of the Controlling Partners; (iii) the inclusion of a provision that no shareholder of G7 Holding may exercise his voting rights on a percentage greater than 30% of the total amount of outstanding voting shares issued by G7 Holding until December 31, 2022; and (iv) the inclusion of a supermajority approval threshold for relevant corporate resolutions applicable to G7 Holding and, consequently, to BTG Pactual group, equivalent to, at least, three shareholders of G7 Holding representing, at least, 75% of the voting shares issued by G7 Holding. The effectiveness of such amendment (including the matters described in items (i) and (ii) above) is subject to obtaining the necessary regulatory approvals in order to effect the transfer of Marcelo Kalim’s ownership interest in G7 Holding to André Esteves. The relevant regulatory approval processes remain ongoing.

Control of Banco BTG Pactual

Except as set forth below, the Partner Brazil Shareholders Agreement and the Controlling Partners Shareholders Agreement provide that the Controlling Partners, through G7 Holding, will generally control our management and direct our and our subsidiaries actions (including investment vehicles in which we own a majority interest) (such entities being collectively referred to herein as the “Banco entities”), to the extent applicable through

its ownership of a majority of the voting interests of BTG Pactual Holding, which, through BTG Pactual Financeira, indirectly owns a majority of our common shares. Pursuant to the terms and conditions of the Partner Brazil Shareholders Agreement and the Controlling Partners Shareholders Agreement, dated as of December 3, 2015, as amended, any new or additional controlling shareholder of Banco BTG Pactual shall depend on the previous approval of the Central Bank and be in conformity with applicable laws then in effect.

Board of Officers

BTG Pactual Financeira is managed by a board of officers which consists of three members, elected and removed by BTG Pactual Holding.

BTG Pactual Holding is managed by a board of officers which consists of three members, elected and removed by G7 Holding.

Ownership of Our Common Shares by BTG Pactual Holding

The Partner Brazil Shareholders Agreement provides that if we issue any common shares and preferred shares (other than a pro rata issuance to all shareholders), BTG Pactual Holding will exercise its right to convert a certain number of our class B preferred shares into our common shares. Such conversion is necessary so that (i) BTG Pactual Holding maintains control of us as required by applicable Brazilian laws and (ii) the number of our common shares continues to be no less than 50% of the total number of our common shares and our preferred shares issued and outstanding at any given time.

PRINCIPAL SHAREHOLDERS

As of November 21, 2019, our outstanding capital stock was R\$7,392,092,408.36, fully subscribed and paid-in, represented by 2,637,236,572 shares, all nominative, in book-entry form and without par value, consisting of 1,731,276,922 common shares, 556,603,310 class A preferred shares and 349,356,340 class B preferred shares. Our capital stock can be increased (without requiring any amendment to our bylaws) up to the limit of 10,000,000,000 shares, subject to the limitation provided for in article 15, §2, of Brazilian Corporations Law (which restricts the number of preferred shares without voting rights to fifty percent of all issued shares), by resolution of our board of directors, which shall establish the issue price, the number of common shares and/or preferred shares to be issued and any additional conditions for the subscription and payment of such shares. Any increase in our capital stock must be approved by the Central Bank.

On October 26, 2018, we concluded a corporate reorganization pursuant to which 1,502,975,267 of our common shares and 449,356,340 of our class B preferred shares previously held by BTG Pactual Holding, our previous direct controlling shareholder, were contributed to the capital of BTG Pactual Holding Financeira, a newly-formed company in which BTG Pactual Holding holds approximately 99.9% of the share capital. The corporate purpose of BTG Pactual Holding Financeira is exclusively to hold equity interest in financial and other institutions authorized by the Central Bank. Such corporate reorganization aimed to align BTG Pactual Holding's structure with applicable Brazilian legislation, and did not entail any modification to our ultimate ownership structure.

On June 25, 2019, we completed a 100.0% secondary follow-on equity offering pursuant to which BTG Pactual Holding sold 55,200,000 units at the offering price of R\$46.00 per unit. We did not receive any proceeds from this offering.

As a result of the aforementioned transactions, as of November 21, 2019, BTG Pactual Holding Financeira held 83.9% of our common shares and 38.6% of our preferred shares, while as of the same date BTG Pactual Holding directly owned 1.8% of our common shares and 7.0% of our preferred shares. G7 Holding continues to hold the majority of the shares of BTG Pactual Holding.

On December 28, 2018, Mr. Kalim resigned as Chairman of our board and executed a contract pursuant to which he will transfer his entire ownership interest in G7 Holding to BTG Pactual Holding subject to the regulatory approvals referred to below. As a result of such transactions, upon such approvals being obtained, Mr. Kalim will cease to be both a Controlling Partner and a direct or indirect shareholder of Banco BTG Pactual.

André Esteves is expected to join G7 Holding as one of the controlling shareholders, exchanging certain of his voting interest in BTG Pactual Holding for a corresponding stake in G7 Holding, which remains subject to the regulatory approvals referred to below. See "Our Partnership—Shareholders Agreements—Controlling Partners Shareholders Agreement."

The effectiveness of the above changes to our partnership and control structure remain subject to regulatory approvals in various jurisdiction. Until such approvals are obtained, our control structure will remain unchanged as a result of such events. As of November 21, 2019, Mr. Kalim held a 24.8% interest in G7 Holding, and Mr. Esteves held a 42.5% voting interest and 28.4% economic interest in BTG Pactual Holding, outside of G7 Holding. As a result of the changes described above, assuming receipt of the requisite regulatory approvals, it is expected that the Controlling Partners will be: Roberto Balls Sallouti, Renato Monteiro dos Santos, Antonio Carlos Porto Filho, Guilherme da Costa Paes and André Esteves. The relevant approval processes with the Central Bank remain ongoing.

The following table sets forth, as November 21, 2019 information relating to the ownership of our shares by (i) BTG Pactual Holding Financeira, which directly holds 83.9% of our voting shares and is controlled by BTG Pactual Holding, which, in turn, is effectively controlled by the Controlling Partners, through G7 Holding, which holds 57.4% of the voting shares of BTG Pactual Holding, (ii) affiliate entities, which represent shares held by our Partners acquired in the open market through their own investment vehicles and, therefore, which are not Partnership Equity and (iii) our free float. The table below does not account for any of our common shares or our preferred shares that may be issued upon conversion of our class B preferred shares into class A preferred shares or common shares.

Name	Common	Class A preferred	Class B preferred	% of common	% of total share capital
BTG Pactual Holding Financeira Ltda. ⁽¹⁾⁽⁸⁾	1,452,975,267	—	349,356,340	83.9%	68.3%
BTG Pactual Holding S.A. ⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	30,050,668	60,101,336	—	1.7%	3.4%
Related Party Partner Vehicles ⁽⁵⁾	40,008,273	80,016,546	—	2.3%	4.6%
Free float ⁽⁶⁾	201,153,414	402,306,828	—	11.6%	22.9%
Treasury shares.....	7,089,300	14,178,600	—	0.4%	0.8%
Total ⁽⁷⁾	1,731,276,922	556,603,310	349,356,340	100.0%	100.0%

- (1) BTG Pactual Holding owns approximately 99.9% of the voting shares of BTG Pactual Holding Financeira.
- (2) Ownership and control of BTG Pactual Holding, as of November 21, 2019 is as follows: (i) 231,373,616 common shares, or 57.4% of the voting shares of BTG Pactual Holding, are held by G7 Holding, which is the entity owned by the Controlling Partners and (ii) 171,501,825 common shares and 615,610,176 preferred shares, or 42.6% of the voting shares and 77.3% of the total equity of BTG Pactual Holding, are held by our Partners (including André Esteves) as Partnership Equity, excluding those shares through G7 Holding.
- (3) G7 Holding, which is owned and controlled by the Controlling Partners, owns 57.4% of the voting shares and 22.7% of the total equity of BTG Pactual Holding as of November 21, 2019. The individual ownership interests of each Controlling Partner in G7 Holding are, as of November 21, 2019, is as follows: (i) Marcelo Kalim, with 1,007,426,420 shares, or 24.8% of the ownership interest of G7 Holding, (ii) Roberto Balls Sallouti, with 1,191,110,206 shares, or 29.3% of the ownership interest of G7 Holding, (iii) Renato Monteiro dos Santos, with 794,073,382 shares, or 19.5% of the ownership interest of G7 Holding, (iv) Antonio Carlos Canto Porto Filho, with 577,507,892 shares, or 14.2% of the ownership interest of G7 Holding and (v) Guilherme da Costa Paes, with 496,295,803 shares, or 12.2% of the ownership interest of G7 Holding. On December 28, 2018, Marcelo Kalim announced that he will transfer his entire ownership interest in G7 Holding to BTG Pactual Holding. As a result of such transactions, subject to the requisite regulatory and corporate approvals, Mr. Kalim will cease to be a Controlling Partner and Banco BTG Pactual shareholder, directly or indirectly.
- (4) As of November 21, 2019, André Esteves holds 171,270,718 common shares and 118,414,914 preferred shares of BTG Pactual Holding, corresponding to 42.5% of the voting interest and 28.5% of the total economic interest of BTG Pactual Holding. Following receipt of the requisite regulatory approvals, it is expected that André Esteves will join G7 Holding as a Controlling Partner, exchanging certain of his voting interest in BTG Pactual Holding for a corresponding stake in G7 Holding. The relevant regulatory approval processes remain ongoing.
- (5) Related Party Partner vehicles consist of ownership interests held by our Partners, outside of BTG Pactual Holding, acquired in open market transactions and, therefore, not considered Partnership Equity.
- (6) May include interests held by our Partners other than our Senior Management Team acquired in the open market.
- (7) Considering direct and indirect interests held through BTG Pactual Holding, including through G7 Holding, and Related Party Partner Vehicles, the only Partner (including through each Partner's family members or through trusts or other entities) that holds a 5.0% or greater economic interest in Banco BTG Pactual as of November 21, 2019 is Andre Esteves, with 24.0% of the ownership interest of Banco BTG Pactual, while as of the same date Roberto Balls Sallouti held a 4.8% ownership interest in Banco BTG Pactual.

RELATED PARTY TRANSACTIONS

We engage in related party transactions with certain of our affiliates in the ordinary course of our business, including financing facilities and commercial and services agreements. We believe that these transactions are carried out on an arms-length basis, in accordance with ordinary market practices.

We summarize below certain material agreements entered into with related parties:

Related Party Transactions Policy

The goal of our related party transactions policy is to establish rules and procedures with which we have to comply, in accordance with the applicable legal and regulatory requirements, to assure to all relevant parties, including regulators, investors and shareholders, that any conflicts of interest are identified and eliminated, mitigated and/or managed through an adequate and transparent risk analysis and a control procedure.

Under the terms of the policy, transactions with related parties must be:

- conducted under normal market conditions and in line with the applicable laws, regulations and internal rules, such as our Code of Business Principles and Ethics;
- conducted under conditions that are compatible with the market and in a transparent manner;
- adequately approved and controlled according to the related party transactions policy;
- formalized in writing, specifying its main characteristics and conditions, such as total price, unitary price, terms, collateral, taxation, required licenses, among others; and
- clearly disclosed in our financial statements in accordance with the materiality criteria established under the accounting regulation.

Related parties include: (i) controlling entities, subsidiaries and related subsidiaries; (ii) associates and other members of the group; (iii) joint ventures and other members of the group; (iv) key members of our management or of our controlling entity (and close family members); (v) persons with control, joint control or significant influence over an entity (and close family members); (vi) retirement plans; and (vii) entities (or any of the members of their group) that provide services of key member of the management to the entity or its controlling entity.

Transactions carried out under market conditions are transactions in which the following principles were considered: (i) fair pricing and competition (prices and conditions of compatible services with the ones in the market and from competition); (ii) compliance with the internal rules and our bylaws, in addition to the applicable laws and regulations; (iii) full transparency of the transaction in accordance with the applicable accounting and regulatory requirements; and (iv) market conditions principles, which determine that all parties involved in a transaction must act in accordance with their best interests.

In case a party that approves these transactions is exposed to a conflict of interest relating to an ordinary and regular approval transaction, this party must disclose the conflict and declare that he/she cannot participate in the case, explain in detail the situation and refrain from opining on the approval. If the transaction is approved, this conflict of interest must be registered in the approval process and in the quarterly report sent to the audit committee.

Violations to the policy must be reported to the audit committee, and in case of substantive violations sent to the board of directors for review of the necessary corrective measures. Violations may also result in disciplinary actions, including dismissals and civil liability under the applicable laws and regulations.

Loans

From time to time, including in connection with the acquisition of Banco BTG Pactual, and in connection with the purchase of shares in each of us (indirectly) and BTG Pactual Holding as part of Reallocation Transfers (see “Our Partnership”), BTG Loanco, LLC, a Delaware limited liability company and wholly-owned subsidiary of

PPLAI (“BTG Loanco”), Banco BTG Pactual—Cayman Islands Branch, BTG Pactual NY Corporation, and BTG MB Investments L.P. made loans, referred to herein as the Banco BTG Pactual Partner Loans, to certain Partners, in such capacity, the Banco BTG Pactual Debtor Partners, the proceeds of which were used to fund all or a portion of their investment in BTG Pactual Holding. The Banco BTG Pactual Partner Loans mature 20 years after the date of the loan, unless otherwise accelerated as provided below. As of September 30, 2019, the aggregate original principal amount that remained outstanding under such loans (excluding any adjustments to such principal based on the prevailing CDI Rate as described below) was approximately R\$6,188.1 million. Because of the steps we have taken to ensure that our partnership model would not change following our initial public offering, we expect to continue to make additional Banco BTG Pactual Partner Loans. See “Our Partnership—Our Partnership—Description of Partnership Model—Continuation of Purchase/Sale Right.”

Approximately 90% of Banco BTG Pactual Partner Loans are denominated in *reais* and the remaining amount are denominated in U.S. dollars. The outstanding principal of the Banco BTG Pactual Partner Loans will be adjusted from time to time based on the prevailing CDI Rate for the *real*-denominated loans and LIBOR for the U.S. dollar-denominated loans. The outstanding principal of the Banco BTG Pactual Partner Loans is adjusted by the prevailing CDI Rate for the *real*-denominated loans and LIBOR for the U.S. dollar-denominated loans on a monthly basis.

Banco BTG Pactual Debtor Partners must make mandatory prepayments on the outstanding amounts of the Banco BTG Pactual Partner Loans if any cash distributions or other cash payments are made to the Banco BTG Pactual Debtor Partners on account of their ownership of any shares in Banco BTG Pactual (indirectly) or shares in BTG Pactual Holding or if the Banco BTG Pactual Debtor Partner receives any proceeds from the sale or other disposition of such shares. Banco BTG Pactual Debtor Partners may also voluntarily prepay the Banco BTG Pactual Partner Loans without penalty or premium. In addition, in connection with the payment of annual cash bonuses to Partners, we have generally determined the amount of such bonus that Banco BTG Pactual Debtor Partners are permitted to retain and required Banco BTG Pactual Debtor Partners to use the remainder of such bonus, on an after-tax basis, to pay down outstanding amounts due under their respective Banco BTG Pactual Partner Loans or loans made by PPLAI to certain Partners. The amount of such bonuses that may be retained by Banco BTG Pactual Debtor Partners is generally applied equally among all Banco BTG Pactual Debtor Partners of the same class (determined based upon the country in which they are based and the ownership interest they hold in Banco BTG Pactual (indirectly) and BTG Pactual Holding), although exceptions were made on case by case basis for Partners demonstrating specific liquidity needs. Although the use of bonuses to pay down outstanding loan balances is not required by the terms of the Banco BTG Pactual Partner Loans, a Partner who fails to comply with such policy understands that as a result of such failure, BTG Pactual Holding may exercise its rights to repurchase the shares owned by such Partner at book value. See “Our Partnership.”

The Banco BTG Pactual Partner Loans contain events of default, such as payment defaults, bankruptcy and insolvency, and if the Banco BTG Pactual Debtor Partner grants a lien or other encumbrance (other than permitted liens or encumbrances) on its shares (or ceases to own any shares) of BTG Pactual Holding. In the case of an event of default, BTG Loanco, Banco BTG Pactual—Cayman Islands Branch, Banco BTG Pactual—Luxembourg Branch, BTG Pactual NY Corporation, and BTG MB Investments L.P. may, among other things, and subject to certain limitations, declare any amounts outstanding under the Banco BTG Pactual Partner Loan immediately due and payable.

Each Banco BTG Pactual Debtor Partner pledged all of the shares of BTG Pactual Holding owned by such Banco BTG Pactual Debtor to BTG Loanco, Banco BTG Pactual—Cayman Islands Branch, Banco BTG Pactual—Luxembourg Branch, BTG Pactual NY Corporation, and BTG MB Investments L.P. as security for payment of, and performance of obligations under, the Banco BTG Pactual Partner Loans.

Asset Management Services

In the ordinary course of our business, we provide a broad range of asset management services to PPLAI, as well as to the Merchant Banking Partnership, an exempted limited partnership owned by our Partners and through which our Partners conduct certain merchant banking investments in Brazil.

On June 30, 2010, PPLAI transferred Partners Alpha for R\$92.4 million to the Merchant Banking Partnership. Following such sale, on April 1, 2010, the Merchant Banking Partnership started to pay a management

fee equal to 2.0% of the total AUM of the Merchant Banking Partnership and a performance fee equal to 20.0% of the return on the investments to our asset management unit, which is serving as the investment advisor to such partnership.

In addition, after the sale of Partners Alpha by PPLAI, virtually all of PPLAI's merchant banking investments and investments in multi-asset funds are managed by BTG Pactual Gestora de Recursos Ltda. and BTG Pactual Global Asset Management Limited, respectively, our wholly owned subsidiaries. In connection with these services, we receive management fees, which are calculated as a percentage of asset value (that may vary by asset class) and committed capital, invested capital and total gross acquisition cost with respect to the funds and investment vehicles in which PPLAI invests, and performance fees, when returns of these funds and vehicles exceed specified benchmarks or other performance targets. We receive these fees from the invested funds or vehicles. With respect to exclusive funds created for PPLAI, we believe that the fees we charge are in line with the fees charged by us for exclusive funds created for other clients. For the nine months ended September 30, 2019 and the years ended December 31, 2018, 2017 and 2016, we recorded aggregate revenues of R\$20.9 million, R\$49.4 million, R\$47.2 million, and R\$70.7 million, respectively, in asset management fees from PPLAI, and R\$3.5 million, R\$11.7 million, R\$11.6 million, R\$11.6 million, respectively, in asset management fees from the Merchant Banking Partnership.

Investments by PPLAI in Banco BTG Pactual

In the ordinary course of its business, PPLAI maintains bank accounts with, and has invested in certain financial products offered by us and certain of our subsidiaries, demand deposits and time deposits. In addition, PPLAI has entered into several financial derivative contracts with us. As of September 30, 2019, our net position with respect to all such activities resulted in an asset of US\$13.3 million.

Investments by the Merchant Banking Partnership in Banco BTG Pactual

In the ordinary course of its business, the Merchant Banking Partnership maintains bank accounts with, and has entered into several financial derivative contracts with us. As of September 30, 2019, our net position with respect to all such activities resulted in an asset of US\$9.6 million.

Partner Non-Competition Agreements

Please see the section entitled "Our Partnership—Partner Non-Competition Agreements" for a description of these agreements.

Partner Brazil Shareholders Agreement

Please see the section entitled "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement" for a description of this agreement.

Shared Services Agreement and Call Option with Engelhart CTP

We are party to a shared services arrangement with Engelhart CTP whereby we provide certain operational and back office services to Engelhart CTP in return for the reimbursement of a portion of our administrative expenses (approximately 5.0%). Since the spin-off of Engelhart CTP from Banco BTG Pactual, Engelhart CTP has been increasingly developing its own independent administrative support infrastructure and, therefore, relies on Banco BTG Pactual's services to a lesser degree.

Purchase of Notes by Certain of our Affiliates

Vehicles owned by some of the Partners, acting in their personal capacity, purchased approximately US\$55.4 million in aggregate principal amount of our 7.750% Subordinated Notes due in February 2029 that were issued by Banco BTG Pactual issued through its Cayman Islands Branch in February 2019.

Proposed Partial Transfer of Banco BTG Pactual's Stake in EFG to BTG Pactual Holding

On June 14, 2019, BTG Pactual Holding completed the secondary offering of 48,000,000 units of Banco BTG Pactual. Following this transaction, Banco BTG Pactual entered into a memorandum of understanding to

transfer approximately 25% of the interest in EFG, certain liabilities of Banco BTG Pactual and certain existing and potential future rights and obligations relating to EFG (the “EFG Interest”) to BTG Pactual Holding, for cash consideration equal to the book value of the shares and liabilities to be transferred as recorded in Banco BTG Pactual’s financial statements at the time of such transfer. BTG Pactual Holding is expected to fund most of the cash consideration payable through the net proceeds from its unit offering described above.

The transaction is subject to the applicable corporate and regulatory approvals. Completion of the transfer of approximately 25% of the common equity of EFG is currently expected to occur in one transaction. However, the regulatory approvals for this transaction are being sought in two stages: (i) approval for the transfer of common equity corresponding to approximately 10% of the common equity of EFG, together with the transfer of certain liabilities of Banco BTG Pactual of approximately R\$830 million, and (ii) approval for the transfer of an additional portion of common equity of EFG in the amount of approximately 15% of the common equity of EFG. As of the date of this Offering Memorandum, regulatory approval has been sought but not yet obtained.

The intended transfer to BTG Pactual Holding of the EFG Interest is expected to occur at book value (as per the relevant balance sheet accounts) as of the time of effectiveness of such transfer. Therefore, we currently expect that the transaction will not have a material impact on our net financial income. The partial transfer of our interest in EFG, as described herein, is expected to include the transfer of all of our existing and potential future rights and obligations relating to EFG, including those arising from an arbitration procedure involving Banco BTG Pactual and Assicurazioni Generali S.p.A., relating to the acquisition of BSI S.A. See “Business—Legal Matters—Civil and Other Proceedings.”

The principal terms and conditions relating to the transaction will be approved by the board of directors of Banco BTG Pactual and by an extraordinary shareholders’ meeting of BTG Pactual Holding, the terms of which will be in accordance with a memorandum of understanding which is currently in negotiation between Banco BTG Pactual and BTG Pactual Holding.

Completion of the transaction is subject to the negotiation and execution of definitive transaction documents to be entered into between Banco BTG Pactual and BTG Pactual Holding in due course following this offering, including determination of the amount of consideration to be payable by BTG Pactual Holding in respect of the transaction. As of the date of this Offering Memorandum, Banco BTG Pactual and BTG Pactual Holding have entered into a memorandum of understanding but have not entered into any binding agreement in connection with the proposed transaction. Banco BTG Pactual and BTG Pactual Holding currently expect to enter into definitive agreements relating to this transaction prior to consummation of the transfer of the relevant shares of capital stock of EFG.

Issuance of Equity-Linked Note to BTG Pactual Holding Relating the Economic Rights Associated with Part of Banco BTG Pactual’s Interest in EFG

On September 30, 2019, Banco BTG Pactual, acting through its Cayman Islands Branch, issued an equity-linked note to BTG Pactual Holding in the nominal amount of CHF 599 million (equivalent to approximately US\$600.6 million as of the issue date thereof), which amount corresponds to the value of Banco BTG Pactual’s interest in approximately 25% of the issued shares of EFG, as recorded in Banco BTG Pactual’s financial statements as of September 30, 2019. Pursuant to the terms of this note, Banco BTG Pactual has contractually transferred to BTG Pactual Holding its economic rights corresponding to an approximately 25% interest in EFG, which includes any earnings related to such interest in EFG in exchange for the initial payment in cash of the principal amount (CHF599 million) of the equity-linked note. As such, while the equity-linked note remains outstanding, Banco BTG Pactual is required to pay to BTG Pactual Holding any dividends it receives from EFG in respect of its interest in EFG. However, the issuance of this note does not transfer or modify Banco BTG Pactual’s right to exercise its voting rights in respect of its shares of EFG. Accordingly, such voting rights continue to be held and exercised by Banco BTG Pactual. Pending approval of the transfer of the significant majority of its stake in EFG to BTG Pactual Holding, Banco BTG Pactual will continue to reflect its proportional share in the results of EFG via the equity pick-up method and record goodwill in relation to EFG.

Pending regulatory approval of the transfer of the significant majority of its equity stake in EFG to BTG Pactual Holding, Banco BTG Pactual will continue to reflect its proportional share of the profits and losses of EFG via the equity pick-up method, which as of September 30, 2019, consisted of a 29.39% interest, and Banco BTG

Pactual will also continue to amortize goodwill in connection with the acquisition of interest of EFG until the transfer of EFG shares to BTG Pactual Holding is consummated. In relation to capital ratios, the transfer of the economic rights relating to an approximately 25% interest in EFG to BTG Pactual Holding had an immediate regulatory capital impact on Banco BTG Pactual such that Banco BTG Pactual's BIS capital ratio already reflects as of September 30, 2019 the capital benefits of a transfer of interests to BTG Pactual Holding.

The maturity date of the equity-linked note is October 1, 2029. Prior to the maturity date, if Banco BTG Pactual transfers the EFG Interest to BTG Pactual Holding (in accordance with the previously disclosed intention to do so as referred to above), or if Banco BTG Pactual sells the EFG Interest, in whole or in part, to any third party, then each of Banco BTG Pactual and BTG Pactual Holding shall have the right to require that the equity-linked note be redeemed by Banco BTG Pactual. In addition, if Banco BTG Pactual has not transferred the EFG shares in either of the manners referred to in the prior sentence by the maturity date, then the equity-linked note shall be required to be redeemed by Banco BTG Pactual on the maturity date. In each case, the redemption price payable by Banco BTG Pactual to BTG Pactual Holding shall equal the value of the approximately 25% interest in EFG that is subject to the equity-linked note as recognized in the financial statements of Banco BTG Pactual on the redemption date, minus the nominal amount of the note (being CHF 599 million). If at maturity or early redemption of the equity-linked note, the value of such note is higher or lower than CHF 599, it is contemplated that there would be cash disbursements between the parties to adjust to the value of the investment.

Transfer of Neoport from Banco BTG Pactual to BTG Pactual Holding

On September 30, 2019, Banco BTG Pactual and BTG Pactual Holding entered into a share purchase and sale agreement pursuant to which Banco BTG Pactual transferred its entire interest in Neoport to BTG Pactual Holding for a purchase price of R\$73.2 million, which was paid to Banco BTG Pactual in cash on September 30, 2019. The purchase price for the transfer of Neoport was equal to the book value of Banco BTG Pactual's interest in Neoport as recorded in its financial statements at the time of such transfer.

Neoport is a holding company which owns the following assets and liabilities: (i) the investment held by Banco BTG Pactual in Engelhart CTP, which at the time of transfer was equal to 19.35% of the economic interest in Engelhart CTP, (ii) certain credit rights and liabilities in relation to the liquidation of Banco BVA S.A. ("BVA") and (iii) the liability in respect of the transfer by Banco BTG Pactual to Neoport of approximately R\$874 million of payment obligations that were obligations of Banco BTG Pactual owed to the Brazilian credit guarantee system, the Fundo Garantidor de Créditos (the "FGC") that Banco BTG Pactual incurred in connection with its acquisition of Banco PAN in 2011, with such transfer structured as a "*devedor solidário*" such that Banco BTG Pactual remains with an off-balance obligation to pay FGC in the event of default by BTG Pactual Holding.

REGULATORY OVERVIEW

The Brazilian Financial System and Banking Regulation

Regulatory Framework

The basic institutional framework of the Brazilian financial system was established by Brazilian Law No. 4,595 of December 31, 1964, as amended (the “Banking Reform Law”), which created the CMN and granted the Central Bank, among other things, the powers to issue money and control credit. The Banking Reform Law created the CMN, which is responsible for examining monetary and foreign currency policies pertaining to economic and social development, as well as overseeing the operation of the financial system. Another important regulation relating to the Brazilian Financial System framework was established by Brazilian Law No. 6,385 of December 7, 1976 (regulating the securities sector), as well as Brazilian Law No 12,154 of December 23, 2009 (regulating the pension funds sector), and Decree-Law No 73 of November 21, 1966 (regulating the private insurance sector).

Principal Regulatory Agencies

The Brazilian financial system (*Sistema Financeiro Nacional*) is composed, among others, of the following regulatory and inspection bodies:

- the CMN (*Conselho Monetário Nacional*);
- the Central Bank;
- the CVM (*Comissão de Valores Mobiliários*);
- the Brazilian Council of Private Insurance (*Conselho Nacional de Seguros Privados- CNSP*);
- the SUSEP (*Superintendência de Seguros Privados*); and
- the National Superintendency of Private Pension (*Superintendência Nacional de Previdência Complementar – PREVIC*).

The CMN and the Central Bank regulate the Brazilian banking sector. The CVM is responsible for the policies of the Brazilian securities and capital markets. Below is a summary of the main functions and powers of the most relevant of these regulatory bodies.

The CMN

The CMN is the chief authority for monetary and financial policy in the Brazilian financial system, responsible for the overall supervision of Brazilian budgetary, credit, fiscal, monetary and public debt policies.

The CMN has the authority to regulate the credit operations of Brazilian financial institutions and Brazilian currency, to supervise Brazil’s foreign exchange and gold reserves, to establish Brazilian saving and investment policies and to regulate the financial institutions operating in Brazil and the Brazilian capital markets with the overarching purpose of promoting economic and social development of Brazil. The CMN also oversees the activities of the Central Bank and the CVM. Specifically, the main responsibilities of the CMN are the following:

- coordinating monetary, credit, budgetary, tax and public debt policies;
- establishing foreign exchange and interest rate policy;
- protecting the liquidity and solvency of financial institutions;
- overseeing activities related to the stock exchange markets;
- enabling the improvement of the resources of financial institutions and instrument;

- regulating the structure and operation of financial institutions;
- adjusting the volume of means of payments to the needs of the Brazilian economy;
- directing the investment of the funds of financial institutions, public or private, taking into account different regions of the country and favorable conditions for the stable development of the national economy;
- granting authority to the Central Bank to issue currency and establishing reserve requirement levels; and
- establishing general directives for banking and financial markets.

The Central Bank

The Banking Reform Law granted the Central Bank powers to implement the monetary and credit policies established by the CMN, as well as to supervise public and private sector financial institutions and to apply the penalties provided for in law, when necessary. According to the aforementioned Banking Reform Law, the Central Bank is also responsible for, among other activities, controlling credit and foreign capital, receiving mandatory payments and voluntary demand deposits from financial institutions, carrying out rediscount operations and providing loans to banking institutions, in addition to functioning as the depositary for official gold and foreign currency reserves. The Central Bank is also responsible for controlling and approving the operations, the transfer of ownership and the corporate reorganization of financial institutions, as well as the establishment of transfers of principal places of business or branches (whether in Brazil or abroad) and requiring the submission of periodical and annual financial statements by financial institutions.

The Central Bank is managed by an executive board consisting of nine members, one of which is the Central Bank's President appointed by the President of Brazil and subject to ratification by the Brazilian Federal Senate and holds office for an indefinite period of time. Specifically, the main responsibilities of the Central Bank are as follows:

- managing the day-to-day control over foreign capital inflows and outflows (risk capital and loans in any form);
- setting forth the administrative rules and regulations for investment registration;
- monitoring foreign currency remittances;
- controlling the outflow of funds (in the event of a serious deficit in Brazil's balance of payments, the Central Bank may limit remittances of profit and prohibit remittances as capital for a limited period of time);
- receiving compulsory withholdings and voluntary demand deposits of financial institutions;
- executing rediscount transactions and loans to banking financial institutions and other institutions authorized to operate by the Central Bank;
- acting as a depositary of gold and foreign currency reserves; and
- controlling and approving the incorporation, functioning, transfer of control and equity reorganization of financial institutions and other institutions authorized to operate by the Central Bank.

The CVM

The CVM is a government agency responsible for implementing policies established by the CMN and regulates, develops, controls and inspects the securities market. The main responsibilities of the CVM are the following:

- implementing and regulating the securities and exchange policies established by the CMN in accordance with the Brazilian corporations law and securities law; and
- controlling and overseeing the Brazilian securities and derivatives market by: approving, suspending and canceling the registration of public companies; authorizing brokers and dealers to operate in the securities market and public offerings of securities; supervising the activities of public companies, stock exchanges, commodities and futures exchanges, market members, and financial investment funds and variable income funds; requiring full disclosure of material events affecting the market, annual and quarterly reporting by public companies; and imposing penalties applicable to violations in the securities market.

Since 2001, the CVM has had jurisdiction to regulate and oversee the derivatives' market and financial and investment funds that were originally regulated and supervised by the Central Bank. Pursuant to Brazilian Law No. 10,198, of February 14, 2001, as amended, and Brazilian Law No. 10,303, of October 31, 2001, the regulation and supervision of both financial mutual funds and variable income funds and of transactions involving derivatives were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. In accordance with Brazilian Law No. 6,385, of December 7, 1976, as amended, (also known as the Brazilian Securities Exchange Law), the CVM is managed by one president and four directors as appointed by the President of Brazil (and approved by the Senate). The individuals appointed to the CVM must be of good standing and recognized as experts in the field of capital markets. CVM directors are appointed for a single five-year term and one-fifth of the members must be renewed on a yearly basis.

Banking Regulation

Principal Limitations and Restrictions on Financial Institutions

The activities of financial institutions are subject to limitations and restrictions. In general, such limitations and restrictions relate to the offering of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, administration of third party funds and microcredit finance and payroll deduction credit.

The principal restrictions on banking activities established by the Banking Reform Law and further applicable regulations are as follows:

- no financial, banking or credit institution may operate in Brazil without the prior approval of the Central Bank. In addition, foreign banks and financial institutions must be expressly authorized to operate in Brazil by Presidential decree as stipulated by the article 52 of the Temporary Constitutional Provisions Act (*Ato das Disposições Constitucionais Transitórias – ADCT*) and article 18 of the Banking Reform Law, provided that, pursuant to Decree 10,029 of September 26, 2019, the Central Bank is generally empowered to authorize foreign banks to operate in Brazil and the increase of foreign equity interest into financial institutions authorized to operate in Brazil;
- a financial, banking or credit institution may not invest in the equity of any other company in Brazil or abroad, except where such investment is approved by the Central Bank based on certain standards established by the CMN. However, investments are permitted without restrictions by an investment bank or a development bank or a multiple service bank with investment portfolio only for purposes of investment portfolio, as established by CMN Resolution 2,723, dated as of May 30, 2000;
- a financial, banking or credit institution may not own real estate other than the property it occupies, except when taking possession of real estate as satisfaction of debt or when expressly authorized by the Central Bank, subject to a specific CMN rule to be edited, in accordance with Brazilian Law No. 13,506 dated as of November 13, 2017.
- financial institutions are prohibited from carrying out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification, as envisaged by CMN Resolution No. 1,559, dated as of December 22, 1988;

- financial institutions are prohibited from granting loans or advances without an appropriate deed evidencing such debt;
- a financial, banking or credit institution may not lend more than 25.0% of its PR to any single person or group, such restriction to be gradually replaced, starting on January 1, 2019, by no more than 25% of the financial institution's Tier I Capital of its PR;
- financial institutions are prohibited from carrying out repurchase transactions (*operações compromissadas*) in excess of an amount corresponding to 30 times their PR;
- the administration of third party funds should be segregated from other activities and in compliance with the relevant rules imposed by the CVM;
- the registered capital and total net assets of financial institutions must be compatible with the rules governing share capital and minimum capitalization requirements imposed by the Central Bank for each type of financial institution;
- the total amount of funds applied in the fixed assets of financial institutions cannot exceed 50.0% of the respective amount of PR;
- financial institutions may not expose themselves to gold and foreign currencies, assets or liabilities referenced in currency exchange variations in excess of 30.0% of their PR, as provided by CMN Resolution No. 3,488, dated as of August 29, 2007; and
- except as provided in the law in certain situations, may not extend credit to or guarantee transactions which are not compatible with market conditions (such as interest, term, collateral), of (i) its controlling shareholders, directors and members of other statutory bodies (fiscal, advisory and others) and their respective spouses and relatives up to second degree; (ii) individuals or legal entities that hold a qualified interest (as per current regulations) in their capital; (iii) legal entities in which they have qualified interest (direct or indirect); (iv) legal entities in which they have effective operational control or preponderance in the deliberations, regardless of the equity interest; and (v) legal entities with common directors or members of the board of directors. The restrictions with respect to transactions with related parties do not apply to transactions entered into by financial institutions in the interbank market, as well as to additional exceptions contemplated by article 34 of the Banking Reform Law. On October 29, 2018, CMN enacted Resolution No. 4,693, which regulates the conditions and limits for financial institutions and leasing companies for carrying out credit operations with related parties, including, in addition to the above-mentioned, credit operations that may be contracted between financial institutions and their related parties, such as loans and financing, advances, leasing operations, provision of credit limits, among others.

Capital Adequacy and Leverage

We must comply with capital requirements established by the Central Bank and CMN that follow principles recommended by the Basel Committee. The Basel accords are a risk-based guideline that establishes capital requirements for financial institutions. The main principle of the recommendation of the Basel Committee is that financial institutions should maintain a sufficient amount of capital to support the principal risks, including credit, market and operational risks, associated with the level of assets held in their balance sheets, calculated on a consolidated basis.

The regulations imposed by the Central Bank typically follow the guidance proposed by the Basel Committee. Brazilian financial institutions are still required to comply with standardized capital requirements with respect to their market, credit and operational risks.

In June 2004, the Basel Committee approved a framework for risk-based capital adequacy, commonly referred to as the Basel II Accord. The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was endorsed at the Seoul G20 Leaders summit in November 2010. The Basel III Accord recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution 4,192 and CMN Resolution 4,193, determined, among other things, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the PR. The PR is used to determine the capital adequacy of Brazilian financial institutions and is represented by the sum of the Tier 1 capital and Tier 2 capital.

Once CMN Resolutions 4,192 and 4,193 became effective in October 2013, and assuming the amendments made to these resolutions also become effective, Tier 1 capital and Tier 2 began to be calculated according to the Basel III Accord as follows:

Tier 1 Capital. Tier 1 capital corresponds to the sum of Common Equity Tier 1 Capital (*Capital Principal*) and Additional Tier 1 Capital (*Capital Complementar*).

The Common Equity Tier 1 Capital (*Capital Principal*) generally corresponds to the sum of: (i) capital stock; (ii) reserves; (iii) unrealized gains; (iv) retained earnings; (v) creditor profit and loss account balances; (vi) deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 4,019 of September 29, 2011); and (vii) balance of positive adjustment in a market value of derivative financial instruments used for cash flow hedge, minus: (i) unrealized losses due to adjustments to equity valuation; (ii) stocks or any other financial instrument issued by the company itself and authorized to compose the Common Equity Tier 1 Capital (*Capital Principal*); (iii) retained losses; (iv) debtors profit and loss account balances; (v) balance of negative adjustment at a market value of derivative financial instruments used for cash flow hedge; and (vi) amounts corresponding to the prudential adjustments which are defined by CMN Resolution 4,192 as the following patrimonial elements: (a) goodwill paid in the acquisition of investments based on the expectation of future profits, net of deferred tax liabilities related to such assets; (b) intangible assets; (c) actuarial assets related to defined benefit pension funds, net of deferred tax liabilities related to such assets, to which the financial institution does not have full access; (d) the aggregate value, that exceeds 10% of the value ascertained as Common Equity Tier 1 Capital (*Capital Principal*) without accounting for the deductions related to the patrimonial elements described above in item (d) and below in items (e) and (g), of the: (1) direct or indirect investments, smaller than 10% of the equity of entities similar to non-consolidated entities financial institutions, insurance and reinsurance companies, capitalization companies and open-ended pension funds and (2) investments lower than 10% of the Common Equity Tier 1 Capital (*Capital Principal*) of institutions authorized to operate by the Central Bank or of foreign institutions deemed equivalent to financial institutions in Brazil, on instruments composing Common Equity Tier 1 Capital (*Capital Principal*) of institution not in the conglomerate; (e) direct or indirect shareholding interests exceeding 10% of the capital stock of entities compared to financial institutions, not consolidated, plus insurance companies, reinsurers, capitalization companies and open-ended private pension entities; (f) non-controlling shareholder interest in banking-licensed subsidiaries and foreign subsidiaries which exercise activities equivalent to a financial institution in Brazil; (g) tax credits resulting from temporary differences that depend on the generation of future taxable profits or revenue for their realization; (h) tax credits resulting from tax losses and a negative base of social contribution on net profits and those originated from such contribution related to calculation periods ended until December 31, 1998; (i) deferred permanent assets; (j) investments greater than 10% of the Common Equity Tier 1 Capital (*Capital Principal*) of an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil, in Common Equity Tier 1 Capital (*Capital Principal*) instruments of institutions which do not belong to the same financial conglomerate; (k) the amount corresponding to investment in premises, controlled financial institution abroad or non-financial entity that is part of the conglomerate, in relation to which the Central Bank does not have access to sufficient information, data and documents for purposes of consolidated global supervision; (l) the negative difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); (m) participation of non-controllers in the capital of: (1) Brazilian subsidiaries not licensed by the Central Bank; and (2) foreign subsidiaries not deemed equivalent to financial institutions in Brazil; and (n) the negative

difference between the amount provisioned and the adjustments made in connection with market-value assessment of financial instruments.

Pursuant to CMN Resolution 4,193, the Central Bank, since January 1, 2016, is allowed to require financial institutions to present an additional rate of Common Equity Tier 1 Capital (*Capital Principal*) calculated based on their RWA. Such additional rate of Common Equity Tier 1 Capital (*Capital Principal*) is denominated Additional Principal Capital (*Adicional de Capital Principal*) and, according to CMN Resolution No. 4.443, of October 29, 2015, which amended CMN Resolution 4,193, corresponds to the sum of the Countercyclical ACP (*Adicional Contracíclico de Capital Principal*), the ACP of Systemic Importance (*Adicional de Importância Sistêmica de Capital Principal*) and the Preserved ACP (*Adicional de Conservação de Capital Principal*). ACP is calculated by applying certain percentage rates to Risk Weighted Assets. The Preserved ACP installment has a fixed value, resulting from the application of the following percentage rates to the RWA amount: (i) zero until 2015; (ii) 0.625% in 2016; (iii) 1.25% in 2017; (iv) 1.875% in 2018; and (v) 2.5% from 2019 onwards. The Countercyclical ACP and the ACP of Systemic Importance, in contrast, depend on calculation methodologies that consider variable factors. The value of the Countercyclical ACP depends on the phase of the economic-financial cycle, being, however, limited by the following maximum percentage amounts in regards to the RWA amount: (i) zero until 2015; (ii) 0.625% in 2016; (iii) 1.25% in 2017; (iv) 1.875% in 2018; and (v) 2.5% from 2019 onwards. The value of the ACP of Systemic Importance is bound to the systemic importance of each institution, being limited by the following maximum percentage amounts in regards to the RWA amount: (i) zero until 2016; (ii) 0.5% in 2017; (iii) 1% in 2018; and (iv) 2% from 2019 onwards. Also, it should be mentioned that the introduction of the ACP of Systemic Importance aims to reduce the odds of insolvency of a systemically important institution in the domestic sphere and the consequent impact on the stability of the financial system and the real economy. Non-compliance with the Additional Principal Capital restricts: (i) the payment of variable remuneration to officers and administrators of the respective financial institution; (ii) the payment of dividends and interest on shareholder's equity; (iii) the payment of net surplus and annual compensation to shareholders of credit cooperatives; (iv) the repurchase of shares, in any amount; and (v) any possible capital decrease.

Additional Tier 1 Capital. Additional Tier 1 Capital (Capital Complementar) corresponds to the sum of all amounts under instruments that adhere to all the following conditions: (i) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (ii) being paid in cash; (iii) having a perpetual nature; (iv) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital (*Capital Principal*), in case of dissolution of the issuing institution; (v) providing that the payment of their compensation shall only be made with funds resulting from profits and profits reserves subject to distribution in the last period of determination; (vi) providing for the suspension of payment of compensation that exceeds the funds available for this purpose; (vii) providing for the suspension of payment of compensation on a *pro rata* basis to the restriction imposed by the Central Bank to the distribution of dividends or other results regarding stocks, quotas or *quotas-partes*, eligible to Common Equity Tier 1 Capital (*Capital Principal*); (viii) providing for the suspension of payment of compensation in case the issuing institution presents insufficient compliance with the Additional Principal Capital (*Adicional de Capital Principal*) (in this case the suspension will be on a *pro rata basis*) or the payment results in noncompliance with the minimum requirements of Common Equity Tier 1 Capital (*Capital Principal*), Tier 1 Capital and PR; (ix) having their redemption or repurchase subject to Central Bank's approval; (x) being only redeemable upon the issuer's initiative; (xi) not being subject of any guarantee, insurance or other similar mechanism that forces or permits the payment or transfer of resources, directly or indirectly, from the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument; (xii) not presenting any provision that directly or indirectly modifies the amount originally raised except for the cases of repurchase and redemption provided therein; (xiii) not providing for changes to the terms of payment after the issuance of the financial instrument, including observing the change of credit quality of the issuing institution; (xiv) not having their purchase directly or indirectly financed by the issuing institution; (xv) providing for a write-off in a minimum amount corresponding to the balance of the Tier 1 capital or the conversion of the same amount in shares of the institution eligible to the Common Equity Tier 1 Capital (*Capital Principal*) in the event of (a) disclosure by the issuing institution, in the form established by the Central Bank, that its Common Equity Tier 1 Capital (*Capital Principal*) is lower than 5.125% of its RWA; (b) execution of a commitment of contribution to the issuing institution if the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000 occurs, (c) upon the imposition of intervention or RAET by the Central Bank on the issuing institution; or (d) upon Central Bank's decision on write-off or conversion according to the criteria specified in rules issued by the CMN; (xvi)

providing that the occurrence of the situations in items (v), (vi), (vii), (viii), (xv) and (xviii) shall not be deemed as an event of default; (xvii) providing that compensation unpaid due to the provision of item (v) and the compensation related to the suspension period described in items (vi), (vii) and (viii) shall be deemed extinguished; and (xviii) providing that write-off or conversion of the debt will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital (*Capital Principal*) and RWA. From this amount, the following must be excluded: (i) amounts related to fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate); and (ii) shares of own issuance authorized to make up the Additional Tier 1 Capital (*Capital Complementar*) purchased directly, indirectly or otherwise, including through: (a) quotas of investment fund, proportional to their participation in the portfolio of the fund; (b) controlled entity deemed equivalent to a financial institution or controlled nonfinancial entity; or (c) operations with derivatives, including index derivatives.

Tier 2 Capital. Tier 2 capital corresponds to the sum of the amounts corresponding to (i) the positive difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); and (ii) instruments that comply with the following conditions: (a) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (b) being paid in cash; (c) prescribe a minimum gap of five years between the date of issuance and the maturity date and does not provide for the payment of amortizations before this interval; (d) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital (*Capital Principal*) and the Additional Tier 1 Capital (*Capital Complementar*), in case of dissolution of the issuing institution; (e) having their early redemption or repurchase, even if performed indirectly by an entity in the conglomerate or by a non-financial controlled entity, subject to Central Bank's approval; (f) being only redeemable upon the issuer's initiative; (g) not being subject to any guarantee, insurance or other similar mechanism that forces or permits the payment or transfer of resources, directly or indirectly, from the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument; (h) not presenting any provision that modifies deadlines or payment conditions agreed upon within the issue and the maturity of the instrument, including in accordance with the credit quality of the issuing institution; (i) not having their purchase directly or indirectly financed by the issuing institution; (j) providing for a write-off or conversion of the same amount in shares of the institution eligible to the Common Equity Tier 1 Capital (*Capital Principal*) in the event of (i) disclosure by the issuing institution, in the form established by the Central Bank, that its Common Equity Tier 1 Capital (*Capital Principal*) is lower than 4.5% of its RWA; (ii) execution of a commitment of contribution to the issuing institution if the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000 occur, (iii) upon the imposition of intervention or RAET by the Central Bank on the issuing institution; or (iv) upon Central Bank's decision on write-off or conversion according to the criteria specified in rules issued by the CMN; (k) providing that the occurrence of the situations in items (j) and (l) shall not be deemed as an event of default or any other event that implies the early maturity of the issuer's debt; (l) providing that write-off or conversion of the debt referred to in item (j) will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital (*Capital Principal*) and RWA. From this amount, the following must be excluded: (i) amounts related to fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate) and (ii) shares of own issuance authorized to make up Tier 2 capital purchased directly, indirectly or otherwise, including through: (a) quotas of investment fund, proportional to their participation in the portfolio of the fund; (b) controlled entity deemed equivalent to a financial institution or controlled nonfinancial entity; or (c) operations with derivatives, including index derivatives.

In addition to the changes above relating to the calculation of the PR, this set of rules introduced the concept of quasi-financial institutions (*instituições assemelhadas*) and required consolidation of such quasi-financial institutions into the financial statements of financial institutions.

The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2022 and may require Banco BTG Pactual to increase its capital basis, which could negatively impact its results and adversely affect its ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, Banco BTG Pactual may be unable to meet the minimum capital adequacy requirements required by the Central Bank. Banco BTG Pactual may also be

compelled to limit its credit operations, dispose its assets and/or take other measures that may adversely affect its business, financial condition and results of operations.

Prudential Regulation

CMN Resolution No. 4,553, issued on January 30, 2017, established the division of financial institutions and other Central Bank-licensed entities for purposes of regulation, according to their respective size and risk profile, into five segments, based on the size and significance of international activity:

- Segment 1, composed of multiservice banks, commercial banks, investment banks, exchange banks and savings banks (*caixas econômicas*) (a) whose size is equal to or greater than 10% of Brazilian GDP; or (b) performing significant international activity, regardless of their size;
- Segment 2, composed of multiservice banks, commercial banks, investment banks, exchange banks and savings banks whose size is less than 10% and equal to or higher than 1% of Brazilian GDP, as well as other entities whose size is equal to or higher than 1% of Brazilian GDP;
- Segment 3, composed of any institution whose size is less than 1% and equal to or greater than 0.1% of Brazilian GDP;
- Segment 4, composed of any institution whose size is less than 0.1% of Brazilian GDP; and
- Segment 5, composed of any institution whose size is less than 0.1% of Brazilian GDP and which applies a simplified methodology for calculation of minimum requirements of regulatory capital, Tier I Capital and Common Equity Tier 1 Capital, except for multiservice banks, commercial banks, investment banks, exchange banks and savings banks.

The Basel III rules and other prudential regulations are the same for all entities authorized to operate by the Central Bank, with certain exceptions (such as concerning credit cooperatives).

Regulation of Risk and Capital Management Structure

On February 23, 2017, CMN enacted Resolution No. 4,557, as amended, which unifies and expands the Brazilian regulation on risk and capital management for Brazilian financial institutions and other institutions authorized to operate by the Central Bank. The new rule is also an effort to incorporate into Brazilian regulation new recommendations from the Basel Committee on Banking Supervision. The rule provides that risk management must be conducted through an integrated effort by the relevant entity (i.e., not only must risks be analyzed on an individual basis, but financial institutions and other institutions authorized to operate by the Central Bank must also control and mitigate the adverse effects caused by the interaction between different risks). It also expands the rules and requirements on risk management governance and the competence and duties of the risk management officer.

The rule sets out different structures for risk and capital management which are applicable for different risk profiles, based on the risks profiles set out in the applicable regulation. This means a financial institution of smaller systemic importance can have a simplified structure of management, while institutions of larger complexity have to follow stricter protocols.

Reserve and Other Requirements

Currently, the Central Bank imposes a series of requirements on financial institutions regarding compulsory reserves. Financial institutions must deposit reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the Brazilian financial system.

Some of the most relevant types of reserves required under Brazilian law include:

Demand Deposits. Pursuant to Central Bank Circular No. 3,917, of November 22, 2018, banks and other financial institutions are generally required to maintain a mandatory reserve of 21% of the average daily balance over the amounts on their demand time deposits and certain other amounts, after a deduction of R\$500.0 million. If

the applicable reserve requirement for a financial institution is equal to or below R\$0.5 million, the financial institution will be exempt from collection, however, it must provide information to the Central Bank regarding demand deposits held by it. Amounts subject to this reserve requirement shall be deposited in cash in a specific account and part of such deposits will bear no interest. At the end of each day, the balance of such account must be equivalent to at least 65.0% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Savings Accounts. Pursuant to Circular No. 3,093 dated March 1, 2002, as amended, the Central Bank established that Brazilian financial institutions are generally required to deposit in a SELIC-based interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in savings accounts held by the members of the Brazilian Savings and Loan System (“SBPE”) must be used to finance the real estate sector, 80.0% of which must be allocated to residential real estate or the housing construction sector, as determined by CMN Resolution No. 4,676 of July 31, 2018.

Time Deposits. In accordance with Central Bank Circular No. 3,916, of November 22, 2018, as amended (“Circular No. 3,916”), banks are subject to a mandatory reserve of 31.0% of the average daily balance of their time deposits and certain other amounts, after a deduction of R\$30.0 million, in the amount exceeding: (i) R\$3.6 billion, for financial institutions with a Tier I component of the regulatory capital below R\$3.0 billion; (ii) R\$2.4 billion, for financial institutions with a Tier I component of the regulatory capital equal or higher than R\$3.0 billion and below R\$10.0 billion; (iii) R\$1.2 billion, for financial institutions with a Tier I component of the regulatory capital equal to or higher than R\$10.0 billion and below R\$15.0 billion; and (iv) zero, for financial institutions with a Tier I component of the regulatory capital equal to or higher than R\$15.0 billion. If the applicable reserve requirement of a financial institution is below R\$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,916, although it must provide information to the Central Bank on time deposits it holds. Amounts subject to this reserve requirement shall be deposited in cash in a specific account and part of such deposits will bear interest at a SELIC-based rate. At the end of each day, deposited amounts shall be equivalent to 100% of the applicable reserve requirement.

Asset Composition Requirements

Fixed assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred charges) of Brazilian financial institutions may not exceed 50.0% of the sum of their PR, calculated in accordance with criteria established by the Central Bank.

Brazilian financial institutions cannot have more than 25.0% of their PR allocated to credit transactions as set forth in CMN Resolution No. 2,844, dated as of June 29, 2001 as well as CMN Resolution No. 4,677 dated as of July 31, 2018 as well as CMN Resolution, which restricts certain financial institutions from extending credit to any person or group of related persons in an aggregate amount over 25.0% of the financial institution’s Tier I capital. Also, institutions deemed as systemically worldwide relevant by the Financial Stability Council (*Conselho de Estabilidade Financeira*) shall not exceed the amount of 15.0% of its Tier I capital in regards to exposures with another institution deemed systemically worldwide relevant institution.

Repurchase Transactions

Repurchase transactions (*operações compromissadas*) are sale and repurchase agreements involving the sale of securities. Repurchase transactions carried out in Brazil are subject to operating capital limitations based on the financial institution’s PR. As established by CMN Resolution No. 3,339, a financial institution may only carry out repurchase transactions for an amount up to 30 times its PR. Within this limitation, repurchase transactions involving private bonds may not exceed five times the amount of PR.

Transactions with Affiliates

Brazilian Law No. 7,492, enacted on June 16, 1986, as amended, which regulates crimes against the Brazilian financial system, defines as a crime the extension of credit by a financial institution to any of its controlling individuals or entities, directors or officers, members of statutory or contractual bodies and certain of their family members individuals or legal entities with qualified interest in the financial institution, as well as any

legal entity with qualified interest in the financial institution or in which the financial institution has qualified interest, either direct or indirect, under common effective control or with common officers or directors. Notwithstanding the foregoing, the Banking Reform Law provides some exceptions, among which: (i) transactions carried out under conditions compatible with the common market (including, but not limited to, in respect of limits, interest rates, grace periods, guarantee requirements and risk classification criteria), which shall be similar to those conditions that the financial institution adopts in transactions with unrelated parties; (ii) arms-length transactions with entities controlled by the Union, (iii) credit operations whose counterparty is a financial institution that is part of the same prudential conglomerate, provided that they contain a subordination clause; (iv) certain interbank deposits; (v) setoff obligations; and (vi) other situations authorized by the CVM. Violations of Brazilian Law No. 7,492 are punishable by two to twelve years' imprisonment and a fine. On June 30, 1993, the Central Bank issued Resolution No. 1,996, which requires the Central Bank to report to the Public Prosecutor's Office of any direct or indirect loans or advances by public or private financial institutions in the cases provided for above.

Foreign Currency Loans

Pursuant to Central Bank regulation, financial institutions may borrow foreign currency denominated funds in international markets without obtaining the Central Bank's prior written consent, including to on-lend such funds to Brazilian individuals or companies in Brazil and other financial institutions. Banks make these on-lending transactions through loans payable in reais, though they are adjusted by foreign currency variation. The lending terms must reflect the terms of the original transaction. The interest rate charged on the underlying foreign loan must also be consistent with international market practices. In addition to the original cost of the transaction, the financial institution may only charge an additional on-lending fee.

The Central Bank may set limitations on the term, interest rate and general conditions of foreign currency loans. The Central Bank may change such limitations depending on the economic environment and the Brazilian government's monetary policy.

Substantially all foreign credit operations are subject to registration with the electronic system of the Central Bank, through the so-called RDE-ROF Module. Failure to correctly inform the Central Bank of the terms of such foreign credit transaction may subject the financial institution to warnings and fines.

Treatment of Overdue Debts

The Central Bank, through CMN Resolution No. 2,682 of December 21, 1999, as amended, requires financial institutions to classify credit transactions in accordance with their level of credit risk as either, "AA," "A," "B," "C," "D," "E," "F," "G" or "H" and make provisions according to the risk level attributed to each transaction. Such credit classifications are responsibility of the institution holding the credit and must be made based on consistent and verifiable criteria, supported by internal and external information, covering at least the following aspects: (i) the condition of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration and quality of controls, punctuality and delay in payments, contingencies, sector of financial activity and credit limits; and (ii) the terms of the transaction, such as its nature and purpose, type of collateral, in particular, its level of adequacy, sufficiency and liquidity and the total amount of the credit. The classification of transactions involving the same customer or economic group must be determined considering the one that represents the greatest credit risk to the financial institution, with the possibility to determine multiple classifications for the same transaction.

Credit transactions of up to R\$50,000 may be classified either by the financial institution's own evaluation method or according to the number of days such transaction is past due, whichever is more stringent, observed that the classification must correspond, at least, to risk level A.

Credit classifications are required to be reviewed:

- on a monthly basis, in the event of a delay in the payment of any installment of principal or interest, in accordance with the following risk classifications:

(1) 1 to 14 days overdue: risk level A, at least;

- (2) 15 to 30 days overdue: risk level B, at least;
 - (3) 31 to 60 days overdue: risk level C, at least;
 - (4) 61 to 90 days overdue: risk level D, at least;
 - (5) 91 to 120 days overdue: risk level E, at least;
 - (6) 121 to 150 days overdue: risk level F, at least;
 - (7) 151 to 180 days overdue: risk level G, at least; and
 - (8) more than 180 days overdue: risk level H;
- every six months, in the case of transactions involving the same customer, economic group or group of companies, the amount of which exceeds 5.0% of the adjusted net worth of the financial institution in question; and
 - once every 12 months, in all circumstances, except in the case of credit transactions with a customer whose total liability is lower than R\$50,000, the classification of which may be classified through the adoption of an internal evaluation model or due to the delays stated in art. 4, item I, of such Resolution.

Failure to comply with the requirements established by the Central Bank will result in the reclassification of any transaction to risk level H, regardless other administrative measures.

Credit loss provisions must be made monthly by each financial institution in accordance with the following and shall not be less than the sum resulting from the application of the following percentages:

- 0.5% of the total amount of credit transactions classified as level A;
- 1.0% of the total amount of credit transactions classified as level B;
- 3.0% of the total amount of credit transactions classified as level C;
- 10.0% of the total amount of credit transactions classified as level D;
- 30.0% of the total amount of credit transactions classified as level E;
- 50.0% of the total amount of credit transactions classified as level F;
- 70.0% of the total amount of credit transactions classified as level G; and
- 100.0% of the total amount of credit transactions classified as level H.

Internal Compliance Procedures

On August 28, 2017, the CMN enacted Resolution No. 4,595 (“Resolution No. 4,595”) providing that Brazilian financial institutions and other institutions authorized to operate by the Central Bank shall implement and maintain a compliance policy compatible with the nature, size, complexity, structure, risk profile and business model of the institution. The compliance policy is intended to ensure an effective compliance risk management by the institution and the adoption of a common compliance policy by conglomerate or cooperative credit system is permitted. Among other minimum requirements, the compliance policy must establish: (i) the scope and purpose of the compliance function in the institution; (ii) the position in the organizational structure of the institution, of the specific unit responsible for the compliance function, when constituted; (iii) the allocation of sufficient, adequately trained and experienced staff in the compliance function; (iv) the allocation of sufficient resources to perform compliance function activities; and (v) the clear segregation of roles and responsibilities among the staff involved in the compliance function in order to avoid potential conflicts of interest, especially with the institution’s business areas.

According to Resolution No. 4,595, the compliance policy must be approved by the institution's board of directors and the regulation also assigns to the board of directors the responsibility to ensure: (i) it is adequately managed throughout the institution; (ii) its effectiveness and continuous application; (iii) its communication to all employees and relevant third party service providers; and (iv) the dissemination of integrity and ethical standards as part of the institutions culture. The board of directors is also responsible for ensuring the application of correctional measures in case of compliance breaches, and providing the necessary means for the activities related to the compliance functions to be adequately conducted.

Brazilian Payment and Settlement System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the BIS. The Brazilian Payment and Settlement System (*Sistema de Pagamentos Brasileiro* – “SPB”) comprises the entities, systems and procedures related to the processing and settlement of funds transfer operations, transactions with foreign currency or financial assets and securities. The following entities are members of the SPB: check clearing services, clearing and settlement of electronic orders of debit and credit, money transfer and other financial assets, clearing and settlement of transactions with securities, clearing and liquidation of transactions carried out on commodities and futures exchanges, and others, collectively referred to as Financial Market Infrastructure (IMF) operators. Beginning in October 2013, with the enactment of Brazilian Law No. 12,865, the arrangements and payment institutions also became part of the SPB.

SPB presents a high degree of automation, with increasing use of electronic media for transfer funds and settlement of obligations, to replace paper-based instruments. Up until the mid-1990s, changes in the SPB were driven by the need to deal with high inflation rates and, therefore, the technological progress achieved was mainly aimed at increasing the processing speed of financial transactions.

In the remodel conducted by the Central Bank until 2002, the focus redirected to risk management. The entry into operation of the Reserve Transfer System (“STR”), in April 2002, as established by Central Bank Circular 3,100 of March 28, 2002, marks the beginning of a new phase of SPB. The STR, managed and operated by the Central Bank, is a real-time gross settlement system for funds transfers in Brazil. STR is the core system of the SPB, as it settles transactions in the monetary, foreign exchange and capital markets between the financial institutions that hold accounts at the Central Bank. The funds transfers are settled by STR in the accounts held at the Central Bank. Also, in addition to these financial flows, the net positions of the clearing and settlement systems are settled through the STR. STR's direct participants can issue funds transfer orders on their own behalf or on behalf of a third party. The receiver can be other STR's direct participants or their clients. Funds transfers are final, that is, irrevocable and unconditional. In this sense, it is only possible to undo a transaction through another transaction in the opposite direction. In addition, in order to guarantee the stability of the system, the STR funds transfers are conditioned to the existence of sufficient balance in the account of the transferring participant.

The Central Bank and institutions authorized by it to operate, the Financial Market Infrastructure (IMF) operators, such as the B3 Exchange, and the National Treasury Secretariat are participants of the STR.

With this system, Brazil became part of the group of countries in which transfers of interbank funds can be settled in real time, irrevocably and unconditionally. In order to ensure liquidity and hence better functioning of the payment system in the real-time settlement environment, two aspects are especially important:

- use by banks of the reserve requirement balances throughout the day for bond settlement purposes, since the verification of compliance is based on end of day balances; and
- activation by the Central Bank of a routine to optimize the process of settlement of transfer orders of funds held in queues within the STR.

Financial institutions and other institutions chartered by the Central Bank are also required under these rules to create a risk management framework and a capital management structure, in accordance with certain procedures established by the Central Bank, such as CMN Resolution No. 4,557, issued by the CMN on February 23, 2017. The risk management framework should include:

- policies and strategies for risk management, clearly documented, which establishes limits and procedures to maintain exposure to the risks;
- effective processes of tracking and timely reporting of exceptions to risk management policies, limits and levels of risk appetite;
- systems, routines and procedures for risk management;
- period evaluation of the adequacy of the systems, routines and procedures mentioned in the item above;
- policies, processes and proper controls to ensure the identification of risks inherent to: (a) new products and services; (b) relevant changes to existing products and services; (c) significant changes in processes, systems, operations and model of the business of the institution; (d) hedge strategies and risk-taking initiatives; (e) significant corporate reorganizations; and (f) change in the macroeconomic perspectives;
- roles and responsibilities for risk management purposes, clearly documented, that assigns attributions to the staff of the institution at its various levels, including outsourced service providers;
- stress testing program;
- continuous evaluation of the effectiveness of the risk mitigation strategies used, considering, among other aspects, the results of the stress tests;
- clearly documented policies and strategies for the management of business continuity; and
- timely management reports for the institution's board of directors, the risk committee and the executive board concerning, among other issues, actions for risk mitigations and its effectiveness and assumptions and results of the stress tests.

Insolvency Laws Concerning Financial Institutions in Brazil

Financial institutions are subject to the proceedings established by Brazilian Law No. 6,024, enacted on March 13, 1974, as amended, and Decree-Law No. 2,321, enacted on February 25, 1987, as amended by Decree-Law No. 2,327 enacted on April 24, 1987, which establish the applicable provisions in the event of intervention, temporary administration or extrajudicial liquidation by the Central Bank, as well as to bankruptcy proceedings.

Intervention and extrajudicial liquidation occur when a financial institution is in a precarious financial condition or upon the occurrence of events that may impact the creditors' situation. Such measures are imposed by the Central Bank in order to avoid the bankruptcy of the entity.

Intervention

Pursuant to Brazilian Law No. 6,024/74, the Central Bank has the power to appoint an intervener, which will act with full powers of management, to intervene in the operations of or to liquidate any financial institution other than public financial institutions controlled by the Brazilian federal government. An intervention may be ordered at the discretion of the Central Bank if any of the following is detected:

- due to mismanagement, the financial institution has suffered losses leaving creditors at risk;
- the financial institution has consistently violated Brazilian banking laws or regulations; and
- such intervention constitutes a viable alternative to the extrajudicial liquidation of the financial institution.

As of the date on which it is ordered, the intervention will automatically: (i) suspend the enforceability of payable obligations; (ii) suspend maturity of any previously contracted obligations; and (iii) freeze deposits existing

on the date on which the intervention is ordered. The intervention ceases: (a) if interested parties undertake to continue the economic activities of the financial institution, by presenting the necessary guarantees, as determined by the Central Bank; (b) when the situation of the financial institution is normalized, as determined by the Central Bank; or (c) when extrajudicial liquidation or bankruptcy of the entity is ordered.

Intervention may also be ordered upon the request of the financial institution's managers, if their respective bylaws entitles them to this jurisdiction - with an indication of the causes of the request, without prejudice to any civil and criminal liability in which the same managers incur, by the false or malicious indication. Any such intervention period should not exceed six months, which may be extended only once for up to six additional months by the Central Bank. The intervention proceedings are terminated if the Central Bank establishes that the irregularities that have triggered an intervention have been eliminated. Otherwise, the Central Bank may extrajudicially liquidate the financial institution or authorize the intervener to file for voluntary bankruptcy under Brazilian Law No. 6,024 of March 13, 1974 ("Brazilian Law No. 6,024"), among other situations, if the assets of the intervened institution are insufficient to satisfy at least 50.0% of the amount of its outstanding unsecured debts.

Extrajudicial Liquidation

Extrajudicial liquidation is an administrative proceeding ordered by the Central Bank (to financial institutions other than those controlled by the Brazilian federal government) and conducted by a liquidator appointed by the Central Bank. This extraordinary measure aims at terminating the activities of a troubled financial institution, removing it from the Brazilian national financial system, liquidating its assets and paying its liabilities, as in an-extrajudicially decreed bankruptcy.

The Central Bank will order the extrajudicial liquidation of a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they become due, or upon the occurrence of an event that indicates a state of insolvency under the rules of Brazilian Law No. 6,024;
- management seriously violates Brazilian banking laws, regulations or rulings;
- the institution suffers a loss which subjects its unprivileged and unsecured creditors to severe risk; and/or
- upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days or, if initiated, the Central Bank determines that the pace of the liquidation may harm the institution's creditors.

Extrajudicial liquidation may also be ordered upon the request of the financial institution's managers, if its respective bylaws entitles it to this jurisdiction, or on a proposal from the intervener, with an indication of the causes of the request.

From the date of its decree, the extrajudicial liquidation will: (i) suspend the actions or foreclose on rights and interests relating to the collection of the entity being liquidated, and no other actions or executions may be brought during the liquidation; (ii) accelerate the obligations of the entity being liquidated; (iii) interrupt the statute of limitations with regard to the obligations assumed by the institution; (iv) failure to comply with the penal clauses provided in unilateral agreements that became due by virtue of the extrajudicial liquidation; (v) ratably deduct interest, against the estate, until the date when the debts are paid in full; and (vi) no claim for monetary correction of any passive currencies or pecuniary penalties for infringement of criminal or administrative laws.

Extrajudicial liquidation procedures may be terminated (a) if the financial institution is declared bankrupt or (b) by decision of the Central Bank in the following events: (i) full payment of the unsecured creditors; (ii) change of corporate purpose of the institution to an economic activity that is not part of the National Financial System; (iii) transfer of the controlling interest of the financial institution; (iv) conversion into ordinary liquidation; (v) exhaustion of the assets owned by the financial institution, upon its full realization and distribution of the proceeds among the creditors, even if full payment of the credits did not occur; or (vi) the remaining asset is acknowledged by the Central Bank as illiquid or of difficult realization.

Temporary Special Administration Regime (RAET)

In addition to the intervention procedures described above, the Central Bank may also establish a RAET, which is a less intrusive form of intervention by the Central Bank in private and non-federal public financial institutions. A RAET also allows troubled institutions to continue to operate their activities in the ordinary course. The RAET may be ordered in the case of an institution which:

- enters into recurrent operations that are against economic or financial policies set forth in federal law;
- faces a shortage of assets;
- fails to comply with the Compulsory Reserves rules maintained by the Central Bank;
- has reckless or fraudulent management;
- suffers losses that put its creditor at risk due to inadequate management;
- repeatedly breaches Brazilian banking rules and regulations; or
- the occurrence of any of the situations described above that may result in a declaration of intervention.

The main objective of a RAET is to assist the troubled institution under special administration to recover and avoid intervention and/or liquidation. A RAET does not affect the day-to-day business, operations, liabilities or rights of the financial institution, which continues to operate in the ordinary course. The RAET also immediately results in the loss of the term of office of the administrators and members of the Audit Committee of the institution.

There is no minimum term for a RAET, but such procedure ceases upon the occurrence of any of the following events: (i) acquisition of share control of the financial institution by the Brazilian federal government, (ii) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (iii) when, at the discretion of the Central Bank, the institution's situation has normalized or (iv) declaration of extrajudicial liquidation of the financial institution.

Repayment of Creditors in a Liquidation or Bankruptcy

Pursuant to the provisions of Brazilian Law No. 6,024 and Brazilian Law No. 11,101, dated as of February 9, 2005, in the event of extrajudicial liquidation or bankruptcy of a financial institution, creditors are paid pursuant to a system of priorities. Pre-petition claims are paid on a pro rata basis in the following order:

- labor claims, capped at an amount equal to 150 times the minimum wages per employee, and claims relating to labor accidents;
- secured claims up to the encumbered asset value;
- tax claims, regardless of their nature and commencement of time, except tax penalties;
- claims with special privileges;
- claims with general privileges;
- unsecured claims;
- contractual fines and pecuniary penalties for breach of administrative or criminal laws, including those of a tax nature; and
- subordinated claims.

Super-priority and post-petition claims (for example, costs related to the liquidation or bankruptcy procedure), as defined under the aforementioned legal framework, are paid with preference over pre-petition claims.

In November 1995, the Central Bank created the Credit Guarantee Fund (“FGC”) to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy or other state of insolvency. The member entities of the FGC are financial institutions, which take demand, time and savings deposits, as well as savings and loan associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits.

The FGC is a deposit insurance system that guarantees, pursuant to CMN Resolution No. 4,688 of September 25, 2018, as amended, a maximum amount of R\$250,000 of deposit and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group) and a maximum amount of R\$1.0 million by creditor against the set of all consolidated financial institutions at each period of four years. The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In addition, Brazilian Law No. 9,069, dated as of June 29, 1995 affected the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. Such law confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank’s general creditors for the repayment of debts.

Cancellation of Banking License

Brazilian Law No. 13,506, together with specific regulations adopted by Central Bank Circular No. 3,857 of November 14, 2017, as amended by Circular No. 3,910 of August 17, 2018, provides infractions, penalties, coercive measures and alternative methods for solution of controversies applicable to financial institutions, other institutions authorized by the Central Bank and institutions that are part of the Brazilian Payment Systems, and establishes the procedural rite to be observed in administrative proceedings within the Central Bank, including penalties such as prohibition to perform certain activities or modalities of transaction and cancellation of authorization to operate.

Pursuant to the annex of CMN’s Resolution No. 4,122 of August 2, 2012, as amended, the Central Bank may also cancel the financial institution’s authorization to operate if one or more of the following situations occur: (i) lack of customary performance of transactions deemed essential, pursuant to the applicable rules, (ii) operational inactivity (iii) the institution is not located at the address that was provided to the Central Bank, (iv) failure to provide the financial statements required by the regulations to the Central Bank for over four months without acceptable justification, and/or (v) failure to observe the agreed business plan as described in the annex. The cancellation of a banking license may only occur after the appropriate administrative proceedings are carried out by the Central Bank.

Anti-Money Laundering Regulations

Brazilian Law No. 9,613 of March 3, 1998, as amended by Brazilian Law No. 12,683 of July 9, 2012 and Brazilian Law No. 13,506 of November 13, 2017 (“the Anti-Money Laundering Law”), plays a major role for those engaged in banking and financial activities in Brazil. The Anti-Money Laundering Law sets forth the definition and the penalties to be incurred by persons involved in activities that comprise the “laundering” or concealing of property, rights and assets, as well as a prohibition on using the financial system for these illicit acts.

Pursuant to the Anti-Money Laundering Law, and Central Bank Circular No. 3,461, dated as of July 24, 2009, as amended (“Circular No. 3,461”) financial institutions (including their branches and subsidiaries abroad) must: (i) identify and maintain up-to-date records regarding their clients (including statements of purpose and nature of transactions and the verification of characterization of customers as politically-exposed individuals); (ii) maintain internal controls and records; (iii) review and supervise transactions or proposals with characteristics which may indicate the existence of a money laundering crime; (iv) keep records of transactions involving electronic transfers and checks for a period of at least five years; (v) keep records of transactions that exceed R\$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years; (vi) keep records of transfers involving electronic transfers, checks, administrative checks or payment orders

that exceed R\$1,000; (vii) adopt preventive policies and internal procedures; (viii) record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money, including specific registries for issuance or recharging of prepaid cards; and (ix) review and inform the appropriate authorities, and refrain from providing notice of such act to any person, including the one to which the information refers, of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

The financial institutions must inform the Central Bank, and refrain from giving notice of such act to any person, including the one to which the information refers, of any transactions of the type referred to under (v) and (viii) above that exceed R\$50,000. Notwithstanding, the financial institutions must review transactions that have characteristics which may indicate the existence of a crime and inform the Central Bank within one business day of the proposed or executed transaction, in accordance with the Anti-Money Laundering Law. The records referred to above must be maintained for at least five years or ten years, depending on the nature of the information, from the end of the relationship with the customer or the closing of the transaction. Failure to comply with any of the obligations indicated above may subject the financial institution and its officers and directors to fines and penalties, including penalties that could lead to officers and directors to be considered ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license.

On March 3, 1998, the Brazilian government created the Council of Control of Financial Activities (*Conselho de Controle de Atividades Financeiras*) ("COAF"), which operates under the Central Bank. The purpose of the COAF is to investigate, examine, identify and impose administrative penalties in respect of any suspicious or unlawful activities related to money laundering in Brazil. The COAF is comprised of a president appointed by the President of Brazil and eleven members of the council, one of whom is appointed by each of the following entities: (i) the Central Bank; (ii) the CVM; (iii) the Ministry of Foreign Affairs; (iv) the SUSEP; (v) the Federal Revenue Service (*Secretaria da Receita Federal*); (vi) the Office of the Attorney-General of the Brazilian National Treasury; (vii) the Brazilian Federal Police Department; (viii) the Federal Intelligence Agency; (ix) Ministry of Transparency and Federal General Controller (*Controladoria Geral da União*); (x) the National Superintendency of Private Pension (*Superintendência de Seguros Privados - SUSEP*); and (xi) the Ministry of Economy. The term of office of each of the president and the other members of the council is three years.

On March 12, 2012, the Central Bank amended the rules applicable to procedures that must be adopted by financial institutions in the prevention and combat of money laundering and terrorism financing, as a response to the recommendations of the Financial Action Task Force. The main measures include: (i) enactment of Circular No. 3,583, which amends Circular No. 3,461 and sets forth that (a) financial institutions must not initiate any relationship with clients or proceed with existing relationships, if it is not possible to fully identify such clients and (b) anti-money laundering procedures are also applicable to agencies and subsidiaries of Brazilian financial institutions located abroad; (ii) enactment of Circular No. 3,691, which regulates the Resolution No. 3,568, dated May 29, 2008, which rules on the foreign exchange market and other measures; and (iii) enactment of Letter Circular No. 3,542, which increases the list of examples of transactions and situations which may characterize evidence of occurrence of money-laundering, tending to improve the communication between financial institutions and the COAF.

Banking Secrecy in Brazil

Brazilian financial institutions are also subject to strict bank confidentiality regulations and must maintain the secrecy of their banking operations and services provided to their customers. The duty of secrecy is extended to the Central Bank in relation to the operations that it carries out and regarding the information that it obtains in the exercise of its attributions. The only circumstances in which information about customers, services or transactions of Brazilian financial institutions or credit card companies may be disclosed to third parties are provided in Complementary Law No. 105 of January 10, 2001, as amended, ("Complementary Law No. 105") and are, among others, the following: (i) express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the supply to credit reference agencies of information based on data from the records of issuers of bank checks drawn on accounts without sufficient funds and defaulting debtors; (iv) the provision of financial and payment data, related to credit operations and payment obligations paid or in progress of individuals or legal entities, to database managers for the formation of credit history, in accordance with the applicable regulation; and (v) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, in which case the financial institutions and the credit card companies may provide the competent

authorities with information relating to such criminal acts when necessary for the investigation of such acts. Complementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, *provided* that a specific treaty in that respect may have been previously executed.

Regulation on Cybersecurity

On April 26, 2018, the CMN issued Resolution No. 4,658, related to cybersecurity and cloud storage policies applicable to financial institutions and other institutions authorized by the Central Bank. According to this new rule, financial institutions must now follow cyber risk management and cloud outsourcing requirements on how such entities must design or adapt their internal controls. Policies and action plans to prevent and respond to cybersecurity incidents must be fully compliant by December 31, 2021. Data location and processing may take place inside or outside the Brazilian territory, but access to data stored abroad must be granted at all times to the Central Bank for inspection and exchange information purposes.

Data Protection Regulation

On August 14, 2018, Brazilian Law No. 13,709 (the “Brazilian General Data Protection Law” or “LGPD”) was enacted in an increasingly data-driven business environment to create a significantly more robust legal landscape for personal data processing in Brazil - which is currently subject to sectorial rules set out in different statutes - and strengthens the rights for protection of personal data.

The LGPD was amended by Brazilian Law 13,853, dated as of July 8, 2019 (“Brazilian Law 13,853”), which also created the National Data Protection Authority (“ANPD”). The ANPD is responsible for (i) ensuring the protection of personal data in accordance with the law; (ii) deliberating, on an administrative level and on a final basis, upon the interpretation of the LGPD; (iii) supervising compliance with the LGPD and assess penalties in the event of violation; (iv) implementing simplified mechanisms for recording complaints about the processing of personal data in violation of LGPD; and (v) informing the relevant authorities of the criminal offenses of which it becomes aware. Law 13,853 also give the authority for the ANPD to assess penalties provided by the LGPD. The ANPD’s authority prevails over any related authority of other public entities in respect of the protection of personal data.

In addition, the legal basis for sharing personal data from the public-sector’s databases to private entities has been extended to include, among others, transfers supported by legal provisions or agreements, or to prevent fraud and irregularities.

Regulation on Fintechs

The CMN approved on April 26, 2018, resolutions No. 4.656 and 4.657, which regulate the operation of financial technology companies that operate in the credit market, the so-called “fintechs”. With this new regulation, these startups, which today operate as banking correspondents in the credit market, may grant credit without the intermediation of a bank. The new rules are applicable immediately to these entities and allow interested companies to start the authorization process.

Accordingly, to the approved regulation, fintechs could be structures as (A) Direct Credit Companies, which will carry out operations with their own resources through an electronic platform; or (B) Interpersonal Loans Company, focused on financial intermediation (peer-to-peer). On October 29, 2018, the Federal Government enacted the Decree No. 9,544 authorizing the foreign investment up to 100% in the capital stock of Direct Credit Companies or Interpersonal Loans Company.

Open Banking

In Brazil, there is still no specific regulation that obliges banks to disclose data and customer information in an open banking model. Although, and following a global trend, the Central Bank moves toward to adapt our legislation in this regard, following a process that began with the enactment of Resolution No. 3,401, dated as of September 6, 2006.

On March 28, 2018, the CMN approved Resolution No. 4,649, which prohibited banks from limiting or preventing access by payment institutions to different types of banking operations, aiming to stimulate competition in the Brazilian Financial System. On April 24, 2019, the Central Bank issued the Communication No. 33,455, with the essential requirements to implement the Open Financial System (*Sistema Financeiro Aberto*) in Brazil.

Politically Exposed Individuals in Brazil

Pursuant to Central Bank Circular No. 3,461, issued by the Central Bank on July 24, 2009, as amended (“Circular No. 3,461”), financial institutions (including their branches and subsidiaries abroad) and other institutions authorized to operate by the Central Bank are required to take certain actions to establish business relationships with, and to follow-up on, financial transactions of customers who are deemed so-called “politically exposed individuals.”

For purposes of this regulation, politically exposed individuals are public agents and their immediate family members, spouses, life partners and step-children. Under such regulation, a public agent is defined as a person who occupies or has occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions. The five-year term runs retroactively from the initial date of the business relationship or from the date when the client became a politically-exposed individual.

Circular No. 3,461 also provides that the internal procedures developed and implemented by such financial institutions must be structured in such a way as to enable the identification of politically exposed individuals, as well as the origin of the funds involved in the transactions of such customers. Notwithstanding, such institutions must also adopt reinforced and continuous surveillance actions with regard to business relationships with politically-exposed individuals, paying special attention to proposed relationships and transactions of such individuals originating from countries with which Brazil has a large volume of financial and commercial transactions, common borders or ethnic, language or political proximity.

Auditing Requirements

We are required under the rules set forth by the Central Bank to prepare financial statements in accordance with the rules and accounting guidelines from the Central Bank (which are also part of Brazilian GAAP). As a financial institution, we are required by the Central Bank to (i) present annual and semi-annual audited financial statements; and (ii) file quarterly financial information with the CVM, with a specific review report prepared by independent auditors.

Under CMN Resolution No. 3,786 enacted on September 24, 2009, we are required to present, in addition to the statutory annual financial statements prepared under the accounting guidelines from the Central Bank, annual consolidated financial statements prepared in accordance with the IASB, translated into Portuguese by a Brazilian entity duly accredited by the International Accounting Standards Committee Foundation, and accompanied by an independent audit report confirming that the financial statements have been properly prepared in accordance with the pronouncements issued by the IASB.

Internal Auditors

On June 29, 2017, the CMN issued Resolution No. 4,588, as amended (“Resolution No. 4,588”), which establishes the rules applicable for internal audits at financial institutions and other institutions authorized to operate by the Central Bank. It determines that financial institutions and other institutions authorized to operate by the Central Bank have to implement and maintain internal audit functions compatible with the nature, size, complexity, structure, risk profile and business model of the respective institution. Such activity must be undertaken by a specific unit in the institution or institution that are part of its financial conglomerate, directly subordinated to the board of directors or by an independent auditor (provided that such auditor is not in charge of the institutions financial statements or any other activity that may imply a conflict of interest).

Furthermore, in accordance with CMN Resolution 4,656 of April 26, 2018 and under the terms of Resolution No. 4,588, fintechs are allowed to carry out internal audit activities.

Independent Auditors in Brazil

On May 27, 2004, the CMN issued Resolution No. 3,198, as amended (“Resolution No, 3,198”), which regulates the rendering of independent auditors’ services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as clearing houses and clearing and custody service providers. According to Resolution No. 3,198, financial institutions (except for microcredit loan societies) must be audited by independent auditors. Financial institutions may only engage independent auditors that are duly registered with the CVM and certified as specialists in banking analysis by the Central Bank. In September 2008, the Central Bank amended previous rules it had established regarding the independence of auditors, and its current rules require a rotation for a period of at least five consecutive years for the partner in charge, manager, supervisor or any other members of the independent audit team who have had a managerial level role in the auditing work of a financial institution, in which case a period of three years must be observed before the professional can be reallocated to the audit team. Additional requirements imposed by the Central Bank relating to the work performed by independent auditors for a financial institution in Brazil, include the following:

- review during the execution of audit procedures, to the extent deemed necessary, the financial institution’s internal controls and procedures, including in relation to its electronic data processing and risk management systems, and identify any potential failings; and
- report on the financial institution’s non-compliance with any applicable regulation to the extent it is material to its financial statements or activities.

Independent auditors and the fiscal council, when established, must, individually or together, notify the Central Bank of the existence or evidence of error or fraud within three business days of the identification of such error or fraud, including:

- non-compliance with rules and regulations that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the management of the institution;
- material fraud perpetrated by the institution’s employees or third parties; and
- material errors in the accounting records of the audited entity.

Audit Committee

Resolution No. 3,198 requires financial institutions and certain other entities with a regulatory capital equal to or greater than R\$1.0 billion, that manage third party resources in amounts equal to or greater than R\$1.0 billion or presents an amount of deposits and management of third party funds in an amount equal to or greater than R\$5.0 billion to establish a corporate body designated as an “audit committee,” which must be composed of at least three individual members, with a maximum term of office of five years each for publicly held companies. At least one of the members of the audit committee must have specific accounting and financial knowledge.

In addition, Brazilian legislation also permits the creation of a single committee for an entire group of companies. In this case, the audit committee should be responsible for any and all financial institutions comprising the same group, provided that these financial institutions comply with the requirements mentioned above.

Ombudsman Office

According to CMN Resolution No. 4,433, published on July 23, 2015, as amended, financial institutions must establish an ombudsman department, whose mission is to ensure strict compliance by financial institutions with the legal and regulatory regimes relating to consumer rights, and to mediate any conflicts among financial institutions and their clients and users of their products and services. The structure of a financial institution’s ombudsman department must be compatible with the nature and complexity of its products, services, activities, processes and systems. In addition, to avoid a conflict of interest, its organizational structure must be distinct from any area of the financial institution’s organization, such as the services and products trading, risk management and internal audit areas.

The following are the ombudsman department's responsibilities: (i) receiving, recording, instructing, analyzing and giving formal and adequate attention to claims from clients and users of products and services of financial institutions; (ii) providing clarifications regarding the status of a claim and information as to when a response is expected to be given; (iii) sending a final answer by the date on which a response is required; (iv) keeping the board of directors or, if one does not exist, the financial institution's board of executive officers, informed about the problems and shortcomings detected in the performance of its duties and the results of the actions taken by the financial institution's officers to solve them; and (v) preparing and sending to the internal audit department, to the audit committee (if one exists), and to the board of directors (or if one does not exist, to the board of executive officers of the financial institution), at the end of each fiscal semester, a quantitative and qualitative report about the ombudsman department's activities and its performance relative to its duties.

The constitutive documents of financial institutions must expressly state, among other provisions: (i) the duties and activities of the ombudsman department; (ii) the criteria for selection and dismissal of the ombudsman and his or her term of office; and (iii) the express commitment of the institution to (a) create adequate conditions to enable the ombudsman department to perform its duties and also to ensure that the ombudsman can operate in a transparent, independent and impartial way, and (b) ensure that the ombudsman department has access to information necessary to enable it to respond adequately to any claims received from clients in the performance of its duties, with full administrative support and the ability to request information and documents as may be necessary to perform its duties.

Financial institutions must report and maintain updated information regarding the officer who is responsible for the ombudsman department. This responsible officer must prepare a report every six months, as required by the Central Bank. In addition, Brazilian law allows for the creation of a single ombudsman department structure in some specific cases, such as in the case of an institution that is part of a conglomerate composed of at least two institutions authorized to operate by the Central Bank, in which case an ombudsman department structure may be constituted in any of the institutions authorized to operate.

Foreign Investment in Brazilian Financial Institutions

The Constitution of Brazil permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the President of Brazil based on national interest or reciprocity. In addition, foreign investors may acquire publicly traded non-voting shares of Brazilian financial institutions traded on a stock exchange without specific authorization.

Regulation of Branches and Subsidiaries

As provided by CMN Resolution No. 2,723, of May 31, 2000, as amended ("Resolution No. 2,723"), the Central Bank requires authorization for operations of foreign branches or subsidiaries of Brazilian financial institutions, including compliance with the following: (i) the institution must have been in operation for at least six years; (ii) the institution must be in compliance with operational limits currently in force; (iii) the institution's paid-up capital and net worth must meet the minimum levels established in Exhibit II to CMN Resolution No. 2,099, of August 17, 1994, as amended, plus an amount corresponding to 300.0% of the minimum paid-up capital and net worth required by Central Bank regulations for the installation of commercial banks; and (iv) the Brazilian financial institution must present to the Central Bank a study on the economic and financial viability (i) of the branch or subsidiary or (ii) of the investment in the subsidiary's equity.

In addition, the Central Bank will only grant such authorization if it has access to information, data and documents necessary to evaluate the assets and liabilities operations of those investments abroad. Furthermore, the failure by a Brazilian bank to comply with the requirements of CMN Resolution No. 2,723 would imply the deduction of a designated percentage of the assets of such branch or subsidiary from the net worth of such bank for the purpose of calculating such bank's compliance with the capital adequacy requirements of the Central Bank, regardless of other penalties applied pursuant to the applicable regulation, including the cancellation of the authorization of such branch of subsidiary by the Central Bank.

CMN Resolution No. 4122, of August 2, 2012, as amended, sets forth the Central Bank requirements and procedures for approving the establishment, authorization to operate, cancellation of authorization, changes of control and corporate reorganizations of Brazilian financial institutions. Such Resolution further requires the Central

Bank's approval for the election and confirmation of directors, executive officers and members of the audit committee as set forth in the company's bylaws.

Furthermore, under the terms of Resolution No. 2,723, the Central Bank's prior authorization is also required: (i) in order to allocate new funds to branches or subsidiaries abroad; (ii) for capital increases, directly or indirectly, of subsidiaries abroad; (iii) in order to increase equity interests, directly or indirectly, in subsidiaries abroad; and/or (iv) in order to merge with or spin-off from, directly or indirectly, subsidiaries abroad. These requirements are only applicable if such subsidiary is a financial institution or similar entity.

Equity Participations by Financial Institutions

As provided by Resolution No. 2,723, financial institutions may only directly or indirectly hold equity in legal entities (incorporated locally or abroad) that supplement or subsidize the financial institutions' activities, provided they obtain prior authorization from the Central Bank and that the other entity does not hold, directly or indirectly, equity of the financial institution. However this requirement for authorization does not apply to (i) equity interests typically held in the investment portfolios of investment banks, development banks, development agencies (*agências de fomento*) and multiservice banks with investment or development portfolios; and (ii) temporary equity interests not registered as permanent assets of the financial institution and not consolidated in accordance with the regulation in force.

Asset Management Regulation

Asset management was previously regulated by the Central Bank and the CVM. Pursuant to Brazilian Law No. 10,198, of February 14, 2001, as amended, and Brazilian Law No. 10,303 of October 31, 2001, the regulation and supervision of both financial mutual funds and variable income funds, as well as transactions involving derivatives, were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. The asset management industry is also self-regulated by ANBIMA (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), which enacts additional rules and policies, especially with respect to marketing and advertising.

According to CVM Instruction No. 558, of March 26, 2015 as amended, individuals or entities authorized by the CVM may act as managers of third party assets. Financial institutions must segregate the management of third party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets.

Regulation in the Cayman Islands

Banks and trust companies in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2018 Revision). Licenses are granted by the Cayman Islands Monetary Authority. It is government policy that bank licenses should only be granted to applicants with an established track record in the banking or finance industry and that a branch or a new entity is or will be a member of a group with acceptable home-base supervising regulation.

Under the Banks and Trust Companies Law (2018 Revision), there are two basic categories of banking license: an "A" license, which permits unrestricted domestic and off-shore business, and a "B" license, which permits only off-shore business. According to the Cayman Islands Monetary Authority's website, as of September 30, 2019 there were 10 banks holding "A" licenses and 122 banks "B" licenses. The holder of a "B" license may have an office in the Cayman Islands and conduct business with other licensees and offshore companies but, except in limited circumstances, may not do business locally with the public or residents in the Cayman Islands.

Branches of foreign banks operating in the Cayman Islands, such as Banco BTG Pactual S.A., must maintain the minimum capital adequacy requirements as stipulated by their home jurisdictions. All other bank license holders are required to comply with the Cayman Islands Monetary Authority's implementation of the Basel II Framework for capital adequacy requirements.

Regulation in the United Kingdom

One of our operating entities, BTG Pactual Europe LLP (“BTG Pactual Europe”), is authorized by the FCA to provide investment services in the United Kingdom. As an FCA authorized investment advisor, BTG Pactual Europe’s operations are subject to the supervision of the FCA, and BTG Pactual Europe is required to comply with the rules issued by the FCA regarding its operations. The FCA rules require BTG Pactual Europe to meet the standard set for different areas of its operations. The FCA rules are concerned with, among other matters, the following items:

- satisfying at all times the threshold conditions for authorization;
- having adequate senior management arrangements, systems and controls which includes operational, market, counterparty and other risk assessment;
- regulatory capital requirements;
- conduct of business requirements, including the fair treatment of customers and the suitability of investment decisions made for client portfolios;
- training and qualifications of employees and management;
- complaints handling processes;
- internal systems and controls to prevent market abuse, insider dealing, money laundering and terrorist financing, sanctions breaches, bribery and other financial crime; and
- executive remuneration.

BTG Pactual Europe must also, in undertaking its business and operations, act in accordance with the FCA’s Statements of Principle for Businesses (the “Principles”). Pursuant to the Principles, BTG Pactual Europe is required to:

- conduct its business with integrity and with due skill, care and diligence;
- take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- maintain adequate financial resources;
- observe proper standards of market conduct;
- pay due regard to the interests of its customers and treat them fairly;
- pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading;
- manage conflicts of interest fairly, both between itself and its customers and between a customer and another client;
- take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- arrange adequate protection for clients’ assets when it is responsible for them; and
- deal with its regulators in an open and cooperative way, and disclose to the FCA appropriately anything relating to BTG Pactual Europe of which the FCA would reasonably expect notice.

Regulation in the United States

The securities industry is subject to extensive regulation under U.S. federal and state laws. Accordingly, we and certain of our U.S. subsidiaries are subject to regulation, including periodic examination, primarily at the federal level, by the SEC and FINRA, a self-regulatory organization, and other government agencies and regulatory bodies.

Our subsidiary, BTG Pactual Asset Management US, LLC, is registered as an investment adviser with the SEC and is subject to various laws and regulations that are primarily intended to protect investment advisory clients. The Investment Advisers Act of 1940, as amended (the “Advisers Act”), imposes numerous obligations on investment advisers, including record-keeping, operational and marketing requirements, disclosure obligations, and prohibitions on fraudulent activities. Investment advisers are also subject to certain state securities laws and regulations. FINRA itself is subject to oversight by the SEC.

Our subsidiary, BTG Pactual US Capital, LLC, is registered as a broker-dealer with the SEC and is a member of FINRA. Our broker-dealer has a membership agreement with FINRA that limits the scope of its permitted activities, and our broker-dealer is required to comply with various laws and regulations. Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers’ funds and securities, capital structure, record-keeping, the financing of customers’ purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of FINRA, BTG Pactual US Capital, LLC is subject to the SEC’s uniform net capital rule, Rule 15c3-1 under the Exchange Act. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer’s assets be kept in relatively liquid form. Our broker-dealer is required to maintain minimum net capital of US\$250,000. Broker-dealers are also subject to certain state securities laws and regulations.

In addition, U.S. Congress, regulators, and others continue to consider increased regulation of the securities industry and, in particular, the private investment fund industry, including placing limits on certain trading activities, increasing trading costs and requiring greater reporting requirements. It is difficult to predict how changes in regulations might affect us, the markets in which we trade and invest, and the counterparties with which we do business. We may be materially and adversely affected by new legislation, rule-making, or other changes in the interpretation of enforcement of existing rules and regulations by various regulators.

Non-compliance with federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines, damage to our reputation and termination of our investment adviser’s or our broker-dealer’s authorization to conduct its business.

Regulations in Chile

Celfin is subject to regulation by the SBIF in Chile. In addition, Celfin is also subject to regulation by the Central Bank of Chile with regard to certain matters, including reserve requirements, interest rates, foreign exchange mismatches and market risks. Pursuant to the Chilean General Banking Law, all Chilean financial institutions may only, subject to the approval of the SBIF, engage in certain businesses in addition to commercial banking depending on the risk associated with such business and their financial strength. Such additional businesses include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The SBIF authorizes the creation of new financial institutions and has broad powers to interpret and enforce legal and regulatory requirements applicable to financial institutions. Furthermore, in case of noncompliance with such legal and regulatory requirements, the SBIF has the ability to impose sanctions, including fines payable by the directors, managers and employees of a financial institutions as well as the financial institutions itself. In extreme cases, it can by special resolution appoint, with the prior approval of the board of directors of the Central Bank of Chile, a provisional administrator to manage a bank. It must also approve any amendment to a financial institution’s bylaws or any increase in its capital.

Regulations in Colombia

Bolsa y Renta is subject to regulation by the Central Bank of Colombia, the Colombian Ministry of Finance (“Ministry of Finance”), the Colombian Superintendency of Finance, the Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*) and the Self-Regulatory Organization (*Autorregulador del*

Mercado de Valores-AMV). The Colombian Superintendency of Finance is the authority responsible for supervising and regulating financial institutions, including Bolsa y Renta. The Colombian Superintendency of Finance has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations. The Colombian Superintendency of Finance can also conduct on-site inspections of Colombian financial institutions. The Colombian Superintendency of Finance is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds and issuers. Financial institutions must obtain the prior authorization of the Colombian Superintendency of Finance before commencing operations. Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will apply to the Notes referred to in such Final Terms.

The Notes (as defined in Condition 1(a)) are constituted by an amended and restated trust deed (as amended from time to time, the “Trust Deed”) dated June 30, 2011, as amended and restated on January 9, 2013, on June 30, 2014, on December 7, 2017 and on December 3, 2019 and made between Banco BTG Pactual S.A. (the “Bank”) and Deutsche Trustee Company Limited (the “Trustee” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders and Couponholders (each as defined in Condition 1(c)). In these terms and conditions the “Issuer” means the Bank acting through its head office or through its Cayman Islands Branch as specified on the Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the Coupons (if any) relating to them (the “Coupons”). Copies of the Trust Deed and of the amended and restated agency agreement (as amended from time to time, the “Agency Agreement”) dated June 30, 2011, as amended and restated on January 9, 2013, on June 30, 2014, on December 7, 2017 and on December 3, 2019 and made between the Bank, the Trustee and the Agents (as defined below) are available for inspection during usual business hours at the specified offices of each of the Trustee and the principal paying agent, the paying agent in London, the other paying agents, the calculation agent, the registrar, the exchange agent and the transfer agents for the time being. Such persons are referred to below respectively as the “Principal Paying Agent,” the “London Paying Agent,” the “Paying Agents” (which expression shall include the London Paying Agent but shall not include the Principal Paying Agent), the “Calculation Agent,” the “Registrar” (which expression shall mean, in respect of any Note represented by a DTC Global Note, the U.S. Registrar and, in respect of any Note represented by a European Global Note, the European Registrar), the “Exchange Agent” and the “Transfer Agents” and together as the “Agents.” The Noteholders and the holders of the Coupons (if any) (the “Couponholders”) and, where applicable in the case of interest-bearing Notes in bearer form, talons for further Coupons (the “Talons”) are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and of the relevant Final Terms (as defined in Condition 1(e)) and are deemed to have notice of those applicable to them of the Agency Agreement.

1. **Form, Denomination, Title, Specified Currency and Final Terms**

(a) *Form:* Each Series (as defined in Condition 1(c)) of Notes of which the Note to which these Conditions are attached forms part (in these Conditions, the “Notes”) is issued either in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”), and Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination (as defined in Condition 1(b)). These Conditions must be read accordingly. The Specified Denomination of each Note is specified on it.

A definitive Note will be issued to each holder of Registered Note(s) in respect of its registered holding or holdings (each a “Definitive Registered Note”). Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the “Register”) which the Issuer shall procure to be kept by the Registrar.

Bearer Notes which bear interest are issued with Coupons and, where appropriate, Talons attached.

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

(b) *Denomination:* “Specified Denomination” means the denomination or denominations specified on such Note. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination (if any).

(c) *Title:* Title to the Bearer Notes, the Coupons relating thereto and, where applicable, the Talons relating thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note,

Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, “Noteholder” and, in relation to a Note, Coupon or Talon, “holder,” means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), “Series” means Notes which have identical terms and conditions, other than in respect of the Issue Date, Interest Commencement Date and/or Issue Price (as defined in Condition 5(III)), the date on which interest commences to accrue and related matters, and “Tranche” means, in relation to a Series, those Notes of such Series which have the same Issue Date.

(d) *Specified Currency:* The Specified Currency of any Note and, if different, any Specified Principal Payment Currency and/or Specified Interest Payment Currency, are as specified on such Note. All payments of principal in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Final Terms and Additional Terms:* References in these Conditions to terms specified on a Note shall be deemed to include references to terms specified in the applicable Final Terms issued in respect of a Tranche which includes such Note (each the “Final Terms”). Capitalized terms used in these Conditions in respect of a Note, and not specifically defined in these Conditions, have the meaning given to them in the applicable Final Terms issued in respect of a Tranche which includes such Note. Additional provisions relating to the Notes may be contained in the Final Terms or specified on the Note and will take effect as if originally specified in these Conditions. The Final Terms in respect of Index Linked Interest Notes, Installment Notes, Dual Currency Notes and other types of Notes the terms of which are not specifically provided for herein, shall set out in full all terms applicable to such Notes. Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

2. Transfers of Registered Notes and Issue of Definitive Registered Notes

(a) *Transfer of Registered Notes:* A Registered Note may be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Registered Note issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued upon transfer of such Registered Note will, within three business days of receipt of such form of transfer, be mailed at the risk of the holder entitled to the new Definitive Registered Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge:* Registration of transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Conditions, unless the context otherwise requires, the amount payable on redemption of a Note) of that Note, (ii) during the period of 60 days prior to any date on which Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 6(e) or (iii) after any such Note has been called for redemption in whole or in part in accordance with Condition 6.

(d) *Regulations:* All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3. **Status**

The Notes and Coupons of all Series (subject to Condition 4) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4. **Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed) the Issuer will not create or permit to subsist any Security upon the whole or any part of its undertakings or assets, present or future (including any uncalled capital) to secure (i) any of its Public External Indebtedness; or (ii) any of its Guarantees in respect of Public External Indebtedness; without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other security for the Notes as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

For the purpose of these Conditions:

(a) “External Indebtedness” means Indebtedness which is payable (or may be paid) (i) in a currency or by reference to a currency other than the currency of the Federative Republic of Brazil (“Brazil”) and (ii) to a person resident or having its principal place of business outside Brazil.

(b) “Guarantee” means any obligation of a person to pay the Indebtedness of another person including without limitation:

- (i) an obligation to pay or purchase such Indebtedness;
- (ii) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) an indemnity against the consequences of a default in the payment of such Indebtedness; or
- (iv) any other agreement to be responsible for such Indebtedness.

(c) “Indebtedness” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

(d) “person” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

(e) “Public External Indebtedness” means any External Indebtedness which is in the form of, or represented by, bonds, notes or other securities which are for the time being or are capable of being or intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

(f) “Security” means any mortgage, pledge, lien, hypothecation or security interest including, without limitation, any equivalent created or arising under the laws of Brazil.

5. Interest

One or more of the following provisions apply to each Note, as specified on such Note.

(I) Fixed Rate Notes

This Condition 5(I) applies to a Note in respect of which the Fixed Rate Note Provisions are specified on such Note as being applicable (a “Fixed Rate Note”).

(a) *Interest Rate and Accrual:* Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified on such Note. Such interest is payable in arrears on each Interest Payment Date in each year and on the Maturity Date specified on such Note if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Note may be specified on such Note as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount.

The first payment of interest on a Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Note will be the amount specified on the relevant Note as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified on the relevant Note as being the final Broken Amount.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(I) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(b) *Calculations:* Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Interest Payment Date) will be calculated using the applicable Day Count Fraction (as defined in Condition 5(III)).

(II) Floating Rate Notes

This Condition 5(II) applies to a Note in respect of which the Floating Rate Note Provisions are specified on such Note as being applicable (a “Floating Rate Note”).

(a) *Specified Interest Payment Dates:* Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof, and such interest will be payable in arrears on each Specified Interest Payment Date (as defined in Condition 5(III)).

(b) *Rate of Interest:* Each Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified on such Note (each a “Benchmark”). The dates on which interest shall be payable on a Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Note on each such date and on any other date on which interest becomes payable in respect of such Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Note shall be as set out below, unless otherwise specified on such Note. Subject to Condition 5(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified on such Note, be determined by the Calculation Agent on the basis of the following provisions:

- (i) At or about the Relevant Time (as defined in Condition 5(III)) on the relevant Interest Determination Date (as defined in Condition 5(III)) in respect of each Interest Period (as defined in Condition 5(III)), the Calculation Agent will:
 - (A) in the case of a Note which specifies that the Primary Source for Floating Rate shall be derived from a specified page, section or other part of a particular

information service (each as specified on such Note), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate (as defined in Condition 5(III)) so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and

- (B) in the case of a Note which specifies that the Primary Source for Floating Rate shall be the Reference Banks specified on such Note and in the case of a Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest for which is to be determined by reference to quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Center (as defined in Condition 5(III)) of each of the Reference Banks specified on such Note (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(h)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.
- (ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined as aforesaid on the basis of the Reference Rates quoted by those Reference Banks.
- (iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B), only one or none of such Reference Banks provide such Relevant Rates, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:
 - (A) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied; and
 - (B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Center for such Specified Currency or, if the Specified Currency is euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Center or, if the Specified Currency is euro, in Europe, provided that, if the banks so selected by the Calculation Agent are not quoting

as aforesaid, the Rate of Interest shall, subject as provided below, be the rate of interest specified in Condition 5(II)(b)(iii)(A).

- (iv) In the case of a Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall, subject as provided below, be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (iv), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified on such Note;
- (B) the Designated Maturity is a period specified on such Note; and
- (C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified on such Note.

For the purposes of this sub-paragraph (iv), “Floating Rate,” “Calculation Agent,” “Floating Rate Option,” “Designated Maturity,” “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

- (c) *Minimum/Maximum Rates:* If a Minimum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event be less than it and if a Maximum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts:* The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5 and calculate the amount of interest payable (the “Interest Amounts”) in respect of each Specified Denomination of the relevant Notes (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin (as defined in Condition 5(III)) and/or Rate Multiplier (as defined in Condition 5(III)) to each Specified Denomination (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes), and multiplying such product by the applicable Day Count Fraction (as defined in Condition 5(III)) rounding, if necessary, the resultant figure to the nearest unit of the relevant currency (half of such unit being rounded upwards or, in the case of Yen downwards). The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties and no liability shall attach to the Calculation Agent in connection with the exercise of its powers, duties and discretions hereunder, except by reason of its own gross negligence or willful misconduct in connection with such exercise.

(e) *Notification of Rate of Interest and Interest Amounts:* The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Specified Interest Payment Date to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 17) and if the relevant Notes are for the time being listed on any stock exchange (each an “Exchange”) and the rules of that Exchange so require, the Exchange as soon as possible after their determination but in no event later than two Relevant Business Days (as defined in Condition 5(III)) after their determination. The Interest Amounts and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) *Interest Accrual:* Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(II) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(g) *Determination or Calculation by the Trustee:* If the Calculation Agent does not at any time for any reason determine the Rate of Interest or calculate the Interest Amounts for an Interest Period, the Trustee may do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5(II), with any necessary consequential amendments, to the extent it can do so (having such regard as it thinks fit to sub-paragraph (b) above), and in all other respects it shall do so in accordance with sub-paragraph (d) above. The determination of the Rate of Interest and the Interest Amounts by the Trustee in accordance with this sub-paragraph (g) shall (in the absence of manifest error) be final and binding upon all parties and no liability shall attach to the Trustee in connection with the exercise of its powers, duties and discretions hereunder, except by reason of its own gross negligence or willful misconduct in connection with such exercise.

(h) *Calculation Agent and Reference Banks:* The Issuer will procure that, so long as any Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Note and, so long as the Primary Source for Floating Rate for such Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Center. The Issuer will also ensure that, in the case of any Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Note with offices in the Relevant Banking Center. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Center to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(i) *Benchmark Discontinuation:*

Notwithstanding the provisions above:

(i) *Independent Adviser*

If the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then:

(A) the Issuer shall use its reasonable endeavors to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(II)(i)(ii)) and, in either case, an Adjustment Spread (in accordance with Condition 5(II)(i)(iii)) and any Benchmark Amendments (in accordance with Condition 5(II)(i)(iv)), by no later than ten Relevant Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate (the “IA Determination Cut-Off Date”);

(B) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to advise on a Successor Rate, failing which an Alternative Rate, and, in either case, the applicable Adjustment Spread, prior to the IA Determination Cut-Off Date in accordance with Condition 5(II)(i)(i)(A), the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(II)(i)(ii)) and, in either case, an Adjustment Spread (in accordance with Condition 5(II)(i)(iii)) and any Benchmark Amendments (in accordance with Condition 5(II)(i)(iv)) by no later than five Relevant Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate (together with the IA Determination Cut-Off Date, each a “Determination Cut-Off Date”); and

(C) if (x) the Independent Adviser advises on a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread (in accordance with Condition 5(II)(i)(i)) but fails to advise on the Benchmark Amendments, or (y) the Issuer determines a Successor Rate, failing which an Alternative Rate and, prior to the relevant Determination Cut-Off Date in either case, an Adjustment Spread (in accordance with Condition 5(II)(i)(iii)), then, in either case, the Issuer shall determine the Benchmark Amendments by no later than five Relevant Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate.

An Independent Adviser appointed pursuant to this Condition 5(II)(i) shall act in good faith and in a commercially reasonable manner and (in the absence of manifest error, bad faith or fraud) shall have no liability whatsoever to the Issuer, the Agents, the Trustee, the Noteholders or the Couponholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5(II)(i).

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(II)(i)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5(II)(i)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(II)(i)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5(II)(i)).

(iii) Adjustment Spread

If any Successor Rate or Alternative Rate is determined in accordance with the foregoing provisions, the Issuer, following consultation with the Independent Adviser (if appointed), shall determine an Adjustment Spread (which may be expressed as a specified quantum or a formula or methodology for determining the applicable Adjustment Spread (and, for the avoidance of doubt, an Adjustment Spread may be positive, negative or zero)), which Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(II)(i) and the Issuer, following consultation with the Independent Adviser (if appointed), acting in good faith and a commercially reasonable manner determines (i) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to follow market practice or to ensure the proper operation of such Successor Rate or Alternative Rate and/or, in either case, the applicable Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(II)(i)(v), without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, the Trustee and the Agents shall, without any requirement for the consent or approval of Noteholders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to the Trust Deed) and neither the Trustee nor the Agents shall be liable to any party for any consequences thereof, *provided* that neither the Trustee nor the Calculation Agent shall be obliged so to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(II)(i) if in the sole opinion of the Trustee or the Calculation Agent (as applicable) doing so would have the effect of (i) exposing the Trustee or the Calculation Agent (as applicable) to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee or the Calculation Agent (as applicable) in the these Conditions, the Trust Deed or the Agency Agreement, as applicable, (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 5(II)(i)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

The Issuer will promptly notify the Trustee, the Calculation Agent and, in accordance with Condition 17, the Noteholders promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(II)(i). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 5(II)(i)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(II)(b)(iv) will continue to apply unless and until a Benchmark Event has occurred.

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) or, in either case, applicable Adjustment Spread is determined and notified to the Calculation Agent, in each case in accordance with this Condition 5(II)(i), by the date that is five Relevant Business Days prior to such Interest Determination Date, the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest (or any component part thereof) on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 5(II)(b)(iv) will (if applicable) continue to apply to such determination.

For the avoidance of doubt, this Condition 5(II)(i)(vi) shall apply to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date only, and the Rate of Interest (or any component part thereof) applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(II)(i).

(vii) *Uncertainty as to the Calculation or Determination of the Rate of Interest*

If, in the case of any Benchmark Event, any Successor Rate, Alternative Rate and/or Adjustment Spread is notified to the Calculation Agent pursuant to this Condition 5(II)(i), and the Calculation Agent is in any way uncertain as to the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Rate of Interest (or any component part thereof), it shall promptly notify the Issuer and / or the Independent Adviser thereof and the Issuer shall direct the Calculation Agent in writing (which direction may be by way of a written determination pursuant to Condition 5(II)(i)(vi)) as to which course of action to adopt in the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the determination of such Rate of Interest. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer and / the Independent Adviser (as the case may be) thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not

incur any liability for not doing so. For the avoidance of doubt, (i) for the period that the Calculation Agent remains uncertain of the application of the Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Rate of Interest (or any component part thereof), the Original Reference Rate and the fallback provisions provided for in the Agency Agreement will continue to apply, and (ii) the Calculation Agent shall not be obliged to monitor or inquire whether a Benchmark Event has occurred or have any liability in respect thereof.

(III) Definitions

As used in these Conditions:

“Adjustment Spread” means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in either case which is to be applied to the relevant Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

(ii) in the case of a Successor Rate for which no such recommendation (as referred to in sub-paragraph (i) above) has been made or in the case of an Alternative Rate, the Issuer, following consultation with the Independent Adviser (if appointed), determines is recognized or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iii) if the Issuer determines that neither sub-paragraph (i) nor (ii) above applies, the Issuer, in its sole discretion, following consultation with the Independent Adviser (if appointed), determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, to reduce or eliminate any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“Alternative Rate” means an alternative to the Original Reference Rate which the Issuer, following consultation with the Independent Adviser (if appointed), determines in accordance with Condition 5(II)(i)(ii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for debt securities with a commensurate interest period and in the same Specified Currency as the Notes or, if the Issuer determines that there is no such rate, such other rate as the Issuer, following consultation with the Independent Adviser (if appointed), determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Original Reference Rate.

“Benchmark Amendments” has the meaning given to it in Condition 5(II)(i)(iv).

“Benchmark Event” means:

(i) the Original Reference Rate ceasing to be published for a period of at least five Relevant Business Days or ceasing to exist or be administered; or

(ii) the later of (A) a public statement by the administrator of the Original Reference Rate that it will, on or by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in (ii)(A); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued; or

(iv) the later of (A) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or by a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (iv)(A); or

(v) the later of (A) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or by a specified date and (B) the date falling six months prior to the specified date referred to in (v)(A); or

(vi) it has or will, prior to the next Interest Determination Date, become unlawful for any Paying Agent, the Calculation Agent, the Trustee or the Issuer to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate; or

(vii) a public statement by the supervisor of the administrator of such Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used.

“Business Day Convention” means either:

- (A) the “Floating Rate Business Day Convention,” in which case interest on a Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, provided that:—
 - (x) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day (as defined below) in that calendar month;
 - (y) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and
 - (z) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Note will be the last day which is a Relevant Business Day in the calendar month which is the Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or
- (B) the “Modified Following Business Day Convention,” in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or
- (C) the “Following Business Day Convention,” in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such

Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or

- (D) the “Preceding Business Day Convention,” in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or
- (E) such other Business Day Convention as may be specified on the relevant Note.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “Calculation Period”):

- (i) if “Actual/365” or “Actual/Actual - ISDA” is specified on such Note, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified on such Note, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified on such Note, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360,” “360/360” or “Bond Basis” is specified on such Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if “30E/360” or “Eurobond Basis” is specified on such Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);
- (vi) if “Actual/Actual - ISMA” is specified on such Note, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in

any year; and

- (vii) if “Bus/252” is specified on such Note, the number of Relevant Business Days in the Calculation Period divided by 252.

For the purposes of this definition of Day Count Fraction:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified as such on the relevant Note or, if none is so specified, the Interest Payment Date.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(II)(i)(A).

“Interest Commencement Date” means, in the case of the first issue of a Note or Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date on such Note.

“Interest Determination Date” means, in respect of any Interest Period, the date which falls that number of days specified on the relevant Note on which banks and foreign exchange markets are open for business in the Relevant Banking Center prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

“ISDA Definitions” means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified on the relevant Note.

“Issue Date” means, in respect of any Note or Notes, the date of issue of such Note or Notes.

“Margin” means the percentage rate per annum specified on the relevant Note.

“Original Reference Rate” means the Reference Rate originally-specified in the Final Terms or, where such Reference Rate has been replaced by an Alternative Rate or a Successor Rate, such Alternative Rate or Successor Rate used to determine the Rate of Interest (or any component part thereof) in respect of any Interest Period(s).

“Rate Multiplier” means the percentage rate or number applied to the relevant Rate of Interest, as specified on the relevant Note.

“Reference Rate” means, for any Note, the bid, offered or mean of bid and offered rate, as specified on such Note, for the floating rate specified on such Note.

“Relevant Banking Center” means, for any Note, the Relevant Banking Center specified on such Note or, if none is so specified, the banking center with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

“Relevant Business Day” means:

- (A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Center; or

- (B) in the case of euro, a TARGET Business Day; and
- (C) in the case of any currency, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Business Center(s) as set forth in the Final Terms.

“Relevant Financial Center” means the principal financial center for the relevant currency (which in the case of euro shall be Europe).

“Relevant Nominating Body” means, in respect of an Original Reference Rate:

(i) the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“Relevant Time” means the local time in the Relevant Banking Center at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Center or, if no such customary local time exists, 11.00 hours in the Relevant Banking Center, except that “local time,” with respect to Europe as a Relevant Banking Center, means 11.00 hours Brussels time.

“Specified Interest Payment Date” means each date which falls the Interest Period specified on the relevant Note after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Note, in each case as adjusted by the Business Day Convention specified on such Note.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

“TARGET Business Day” means a day on which the TARGET2 System is operating.

“TARGET2 System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(IV) Zero Coupon

This Condition 5(IV) applies to a Note in respect of which the Zero Coupon Note Provisions are specified on such Note as being applicable (a “Zero Coupon Note”).

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as determined in accordance with Condition 6(d)(i)(C). Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note. Such interest shall continue to accrue (on the same basis as referred to in Condition 5(I)) (both before and after judgment) to the Relevant Date.

6. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount (“Final Redemption Amount”) being its nominal amount or such other amount as is specified on such Note on the applicable Maturity Date specified on such Note.

(b) *Purchases:* The Issuer and any of its Subsidiaries may at any time purchase Notes at any price (provided that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 11 and 12.

(c) *Redemption for Taxation Reasons:* Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note the interest basis for which is specified on such Note as Fixed Rate or Zero Coupon) or on any Specified Interest Payment Date (in the case of a Note the interest basis for which is specified on such Note as Floating Rate), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), at their Early Redemption Amount (as defined in the Final Terms), (together with interest accrued to the date fixed for redemption) or (in the case of Notes the interest basis for which is specified on such Note as Zero Coupon) at their Amortized Face Amount (as determined in accordance with Condition 6(d)(i)(C)), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified on such Notes as a result of (I) in the case of notes issued by the Bank acting through its head office, any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series and (II) in the case of Notes issued by the Bank acting through its Cayman Islands Branch, any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of such Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two authorized officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon the expiring of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) *Early Redemption:*

(i) *Zero Coupon Notes:* This Condition 6(d)(i) applies to a Zero Coupon Note.

(A) The amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, shall be the Amortized Face Amount (calculated as provided below) of such Note unless otherwise specified on such Note.

(B) Subject to Condition 6(d)(i)(C), the "Amortized Face Amount" of any Note shall be the sum of (A) the Reference Price specified on such Note and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of such Note from the Issue Date to the date on which the Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note applied to the Reference Price in the manner specified on such Note. Where the specified calculation is to be made for a period of less than one year, it shall be made using the applicable Day Count Fraction.

(C) If the amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 6(d)(i)(B), except that Condition 6 shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this Condition 6(d)(i)(C) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the nominal amount of such Note together with any interest which may accrue on such Note in accordance with Condition 5(IV).

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(d)(i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified on such Note.

(e) *Redemption at the option of the Issuer (Call option):* If so provided on a Note, the Issuer may, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such Note (and, if such Notes are listed on an Exchange, to the Exchange) irrevocable notice in accordance with Condition 17 of not less than 30 nor more than 60 days (or such other notice period as specified on such Note) redeem or procure the redemption or purchase of all or, if so specified on such Note, some of the Series of Notes of which such Note forms part, on the Optional Redemption Date(s) specified on such Notes (which shall, in the case of a Note which has applicable to it at the time of redemption or purchase an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption or purchase, provided, however, that if the Issuer so elects, the Issuer may, in lieu of redeeming such Notes, procure that any person designated by the Issuer may purchase such Notes on the Optional Redemption Date(s) specified in the Final Terms or Notes at the Optional Redemption Amount, together with an amount equal to interest accrued to (but excluding) the date fixed for redemption or purchase. All Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 6(e). If only some of the Notes of a Series are to be redeemed or purchased at any time, the Notes to be redeemed or purchased shall be determined by the Registrar following the drawing of lots. In the case of a partial redemption by way of lot, the notice to Noteholders shall also contain the serial numbers and nominal amount of the Notes to be redeemed or purchased, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, clearing system and Exchange requirements.

(f) *Redemption at the option of Noteholders (Put option):* If so provided on a Note, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such Note, redeem or (at the option of the Issuer) procure the purchase of such Note on the Optional Redemption Date(s) specified on such Note (which shall, in the case of a Note which has applicable to it at the time of redemption or purchase an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption or purchase, provided, however, that if the Issuer so elects, the Issuer may, in lieu of redeeming such Notes, procure that any person designated by the Issuer may purchase such Notes on the Optional Redemption Date(s) specified in the Final Terms or Notes at the Optional Redemption Amount, together with an amount equal to interest accrued to (but excluding) the date fixed for redemption or purchase. To exercise such option the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("Redemption Notice") in the form obtainable from any Agent not more than 60 nor less than 30 days (or such other deposit period as may be specified on such Note) prior to the relevant date for redemption. No Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified on such Note of the commencement of any period for the deposit of Notes for redemption pursuant to this Condition 6(f) shall be given by the Issuer to Noteholders (and, if such Notes are listed on an Exchange, to the Exchange) in

accordance with Condition 17.

(g) *Cancellation:* All Notes redeemed in accordance with this Condition 6, and any unmatured Coupons or Talons attached to them, will be cancelled forthwith. Any Notes purchased in accordance with this Condition 6, and any unmatured Coupons or Talons purchased with them, may at the option of the Issuer be cancelled or may be resold. Notes which are cancelled following any redemption or purchase made in accordance with this Condition 6 may at the option of the Issuer be re-issued together with any unmatured Coupons or Talons. Any resale or re-issue pursuant to this Condition 6(g) shall only be made in compliance with all relevant laws, regulations and directives.

7. **Payments**

(a) *Bearer Notes:*

(i) **Payments of Principal and Interest**

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Bearer Notes or Coupons, as the case may be, by, and at the specified office of, any Paying Agent outside the United States and its possessions:

- (1) in respect of payments denominated in a Specified Currency (or, if different, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be) other than U.S. dollars, at the option of the holder either by a check in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be drawn on, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with a bank in the Relevant Financial Center of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or in the case of euro, in a city in which banks have access to the TARGET2 System;
- (2) in respect of payments denominated in U.S. dollars, subject to Condition 7(a)(ii), at the option of the holder either by a U.S. dollar check drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States; or
- (3) as may otherwise be specified on such Notes as an Alternative Payment Mechanism.

(ii) **Payments in the United States**

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made by, and at the specified office of, any Paying Agent in New York City in the same manner as aforesaid if (1) the Maturity Date of such Bearer Notes is not more than one year from the Issue Date for such Bearer Notes or (2) (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law. If, under such circumstances, a Bearer Note is presented for payment of principal at the specified office of any Paying Agent in the United States or its possessions in circumstances where interest (if any is payable against presentation of the Bearer Note) is not to be paid there, the relevant Paying Agent

will annotate the Bearer Note with the record of the principal paid and return it to the holder for the obtaining of interest elsewhere.

(iii) **Payments on Business Days**

Subject as provided on a Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(a), “business day” means a day on which banks are open for business in such jurisdictions as shall be specified on such Note as “Financial Centers” and:

- (1) in the case of a payment in a currency other than euro where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, on which dealings may be carried on in the Relevant Financial Center of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be; or
- (2) in the case of payment in euro, a day which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest (if any) accrued on a Bearer Note the interest basis for which is specified on such Note as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) *Registered Notes:*

(i) **Payments of Principal and Interest**

Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the Principal Paying Agent or its agent on the due date for payment to the person shown on the Register at the close of the DTC business day or the Clearstream, Luxembourg / Euroclear business day before the due date for payment thereof (the “Record Date”):

- (1) by check drawn on, by wire transfer or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with, a bank in the Relevant Financial Center of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or, in the case of euro, in a city in which banks have access to the TARGET2 System; or
- (2) as may otherwise be specified on such Notes as an Alternative Payment Mechanism,

subject in each case to Condition 7(b)(iii). For the purposes of this Condition 7(b), “DTC business day” means any day on which DTC (as defined in Condition 7(b)(iii)) is open for business. “Clearstream, Luxembourg / Euroclear business day” means any day on which Clearstream, Luxembourg and Euroclear are open for business.

Payments of principal in respect of Registered Notes will only be made against surrender of the relevant Definitive Registered Note at the specified office of any Transfer Agent. Upon application by the holder to the specified office of any Transfer Agent not less than one business day before the due date for any payment in respect of a Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Center or, in the case of euro, in a city in which banks have access to the TARGET2 System. Details of the account to which a registered holder's payments will be made should be notified by the holder to the specified office of the Principal Paying Agent before the Record Date preceding the relevant date for payment. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Registered Note with a nominal amount equal to the remaining unpaid nominal amount.

(ii) Payment Initiation

Where payment is to be made by transfer to an account in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by check, the check will be mailed on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Registered Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Definitive Registered Note is surrendered.

(iii) Payments Through The Depository Trust Company

Registered Notes, if so specified on them, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency or in respect of which payments are to be made in a Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, in accordance with the following provisions. The amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payable by the Principal Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, by wire transfer of same day funds to the designated bank account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payment, on or prior to the fifth DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 10 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be. The Principal Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency,

as the case may be, into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be. The Agency Agreement sets out the manner in which such conversions are to be made.

(iv) Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Registered Note (if required to do so) or if a check mailed in accordance with Condition 7(b)(ii) arrives after the due date for payment.

(v) Payment Not Made in Full

If the amount of principal or interest which is due on any Registered Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Registered Note.

(c) *Payments Subject to Law, etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Appointment of Agents:* The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Exchange Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time, with the prior approval of the Trustee (which shall not be unreasonably withheld), to vary or terminate the appointment of any Agent, to appoint another Registrar, Exchange Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent in respect of each Series of Notes, (ii) a London Paying Agent, (iii) a Paying Agent, a Registrar and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Notes are listed is the Official List of the Luxembourg Stock Exchange (Euro MTF market), shall be that of such stock exchange, (v) a Calculation Agent and (vi) an Exchange Agent. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(a)(ii). Notice of any such change or any change in the specified office of any Agent will be given to the Noteholders in accordance with Condition 17 as soon as reasonably practicable.

(e) *Unmatured Coupons and Unexchanged Talons:*

- (i) Bearer Notes the interest basis for which is specified on such Notes as being Fixed Rate, other than Notes which are specified to be Long Maturity Notes (being Notes whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 5(I)(a)), should be surrendered for payment of principal together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment on such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.

- (ii) If so specified on a Bearer Note, upon the due date for redemption of any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, is presented for redemption without all unmatured Coupons relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption of such Bearer Note shall be made only against the provisions of such indemnity by the Noteholder as the Issuer may require.

(f) *Talons:* Except where such Talon has become void pursuant to Condition 7(e)(iii), on or after the Interest Payment Date or, as the case may be, the Specified Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the London Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 10).

8. **Taxation**

All payments of interest by or on behalf of the Issuer in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or within Brazil or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its head office, or by or within Brazil and the Cayman Islands or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its Cayman Islands Branch, or any other jurisdiction from or through which payments under the Notes are made, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) in the case of Bearer Notes or Coupons:
 - (a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Bearer Note or Coupon by reason of it having some connection with Brazil or such other jurisdiction to which the Issuer may be subject other than the mere holding of such Bearer Note or Coupon, the receipt of the relevant payment in respect thereof or the enforcement of rights with respect to the Notes; or
 - (b) presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting or surrendering the same for payment on the last day of such period of 30 days; or
 - (c) in respect of any taxes required to be deducted or withheld pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto.
- (ii) in the case of Registered Notes:

- (a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Registered Note by reason of it having some connection with Brazil or such other jurisdiction to which the Issuer may be subject, other than the mere holding of such Registered Note, the receipt of the relevant payment in respect thereof or the enforcement of rights with respect to the Notes; or
- (b) if the Definitive Registered Note in respect of such Registered Note is required to be surrendered and such Definitive Registered Note is surrendered more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to receive additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (c) in respect of any taxes required to be deducted or withheld pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto.

As used in these Conditions, “Relevant Date” in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 17 that such moneys have been so received and are available for payment. References in these Conditions to “principal” shall be deemed to include “Amortized Face Amount,” “Final Redemption Amount,” “Optional Redemption Amount” and “Early Redemption Amount” and any premium payable in respect of the Notes and any reference to “principal” and/or “interest” shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Events of Default

If any of the following events occurs the Trustee at its discretion may in respect of the Notes of any Series, and if so requested by holders of at least one third in nominal amount of the Notes of such Series then outstanding or if so directed by an Extraordinary Resolution of Noteholders of such Series shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer that the Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified on such Notes or, if none is so specified, at the nominal amount specified on such Notes together with accrued interest (if any) to the date of redemption or, in relation to Zero Coupon Notes, the Amortized Face Amount of such Notes:

- (a) *Non-payment:* Default is made for a period of three days in the payment of principal on any of the Notes or for a period of seven days in the payment of interest represented by the Notes or Coupons; or
- (b) *Breach of other obligations:* The Issuer does not perform or comply with any one or more of its other obligations under the Notes of such Series or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 60 days after written notice specifying such default shall have been given to the Issuer by the Trustee. Such notice shall require the default to be remedied and shall state that such notice is a “Notice of Default”; or
- (c) *Cross default:* (i) any other present or future Indebtedness of the Issuer or any Significant Subsidiary becomes (or is declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer by reason of the occurrence of an event of default described in a document evidencing such Indebtedness and after the expiration of any applicable grace period, or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any Significant Subsidiary fails to pay when due any amount payable by it under any present or future Guarantee in respect of its Indebtedness, provided that in each case mentioned above in this Condition 9(c), the aggregate amount of the relevant Indebtedness and Guarantees in respect of Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9 operates); or

(d) *Enforcement proceedings:* A distress, attachment (other than a Penhora), execution or other legal process is levied, enforced or sued out on or against all or a material part of the property of the Issuer (taken as a whole with its Significant Subsidiaries) and is not discharged or stayed within 30 days after notice thereof has been received by the Issuer; or

(e) *Security enforced:* Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Significant Subsidiary and securing an amount which equals or exceeds US\$50,000,000 or its equivalent (as determined in the manner provided in Condition 9(c)) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such step is not discharged or stayed within 30 days after notice thereof has been received by the Issuer; or

(f) *Insolvency:* The Issuer or any Significant Subsidiary is declared insolvent or bankrupt or unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts; or

(g) *Moratorium:* The Issuer or any Significant Subsidiary makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), makes a general assignment or an arrangement or composition with or for the benefit of creditors in respect of its debts generally or a moratorium is agreed to or declared by the Issuer or any Significant Subsidiary in respect of or affecting all or any part of (or of a particular type of) its debts; or

(h) *Winding up:* An order is made or an effective resolution passed for the intervention in, liquidation, winding up or dissolution of the Issuer or any Significant Subsidiary, or the Issuer or any Significant Subsidiary ceases to carry on all or (in the opinion of the Trustee) substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger, consolidation or spin-off on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders or where the surviving entity is the Issuer or a Significant Subsidiary; or

(i) *Analogous events:* Any event occurs which under the laws of the jurisdictions of the Issuer or any Significant Subsidiary has an analogous effect to any of the events referred to in Conditions 9(d) to (h),

provided that, in the case of paragraphs (b) and (d) to (h), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of these Conditions:

“Fund” means any investment vehicle, hedge fund, mutual fund, fund of funds, private equity fund, other alternative investment fund or similar person, but which excludes, in each case, any Portfolio Company.

“Managed Funds” means any Fund, sponsored, advised or subadvised by the Bank, its respective Subsidiaries and/or for which any of them act as a general partner, investment manager, investment adviser, managing member, gestor or in a similar management advisory capacity, other than any such Fund of which the Bank, or any of its respective Subsidiaries owns, directly or indirectly, a majority of the economic interests of such Fund.

“Portfolio Companies” means, with respect to any Managed Fund, the entities in which such Managed Fund has acquired, directly or indirectly, equity securities or any other securities (including debt securities).

“Subsidiary” of any company or corporation means, at any particular time, any company or corporation:

- (i) more than 50% of the issued share equity capital of which, or more than 50% of the issued share capital carrying voting rights of which, is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or
- (ii) which is a Subsidiary of another Subsidiary of the first-mentioned company or corporation,

(in each case) provided, however, that for the purposes of these Conditions, neither (i) any Managed Fund, nor (ii) any company or corporation which does not conduct financial services, investment services or banking business as its principal business, nor (iii) any company or corporation which the Trustee and the Issuer have agreed to exclude from this definition shall be deemed to be a Subsidiary of the Issuer or any of its Subsidiaries.

“Significant Subsidiary” means any Subsidiary of the Issuer the total assets of which exceeded 10% of the consolidated total assets of the Issuer and its consolidated subsidiaries as of the end of the most recent fiscal year.

10. **Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11. **Meetings of Noteholders, Modification, Waiver and Substitution**

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified and/or secured to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 10% in nominal amount of the Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing holders of Notes of the relevant Series whatever the nominal amount of the Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount or Early Redemption Amount (if any) of the Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified on the Notes of any Series a Minimum Rate of Interest and/or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest and/or such Maximum Rate of Interest, (v) to change the method of calculating the Amortized Face Amount (if any) of any Series, (vi) to change the currency or currencies of payment of the Notes of any Series or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes of the relevant Series for the time being outstanding. An “Extraordinary Resolution” is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of at least 75% of the votes cast. A written resolution of holders of not less than 75% in nominal amount of the Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any).

(b) *Modification, Waiver and Determination:* The Trustee and the Issuer may, without the consent of the Noteholders or Couponholders, (i) agree to any modification of any of the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) agree to any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Trust Deed and the Trustee may, without the consent of the Noteholders or Couponholders, subject as provided in the Trust Deed, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, *provided* that any such modification referred to in (ii) above or any waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorization or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 17 as soon as practicable.

(c) *Substitution:* The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or Couponholders, to the substitution of (i) the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or (ii) any of the Bank's branches which does not constitute a separate legal entity to the Bank in accordance with Brazilian laws and the laws of the jurisdiction of the applicable branch and, where all obligations expressed to be assumed by such branch will constitute direct, unconditional and unsubordinated obligations of the Bank, in place of the Issuer or any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, subject to the provisions of the Trust Deed, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, or the Noteholders or Couponholders in respect of Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes of any Series become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-third in nominal amount of the Notes of such Series outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. Under the Trust Deed, the Trustee is entitled to be paid its costs and expenses in priority to the claims of the Noteholders and Couponholders.

14. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If any Bearer Note, Coupon, Talon or Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the London Paying Agent (in the case of Bearer Notes, Coupons and Talons) or a Transfer Agent (in the case of Registered Notes) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Coupons, Talons or Registered Notes must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes of any Series), provided, however, that unless such further securities are issued under a separate CUSIP number or ISIN, such further securities will be fungible with the original securities for U.S. federal income tax purposes. References in these Conditions to the Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes of such Series. Any further securities forming a single series

with the outstanding securities of any series (including the Notes of any Series) constituted under the Trust Deed or any deed supplemental to it shall be constituted under the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the holders of securities of other series (including the Notes of any other Series) where the Trustee so decides.

16. **Agents**

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer (and, in the circumstances referred in the Agency Agreement, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder.

17. **Notices**

Notices to holders of Registered Notes will be mailed to them at their respective addresses in the Register and shall be published (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market) on the website of the Luxembourg Stock Exchange designated for such purposes. Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London or, if any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe, and (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market) in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at www.bourse.lu. It is expected that such publication will be made in the Financial Times in London. Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication as provided above and will, if published more than once on different dates, be deemed to have been given on the date of the last publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 17.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. **Governing Law and Jurisdiction**

(a) *Governing Law:* The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction:* The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

FORM OF THE FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated *[date]*

Banco BTG Pactual S.A.

(company incorporated under the laws of the Federative Republic of Brazil)

(acting through [its principal office in Brazil] [its Cayman Islands Branch])

US\$[]

Global Medium-Term Note Programme

Series No:

[TITLE OF NOTES] DUE

Issue price:

[DEALER NAME(S)]

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Memorandum dated *[date]* [and the supplemental Offering Memorandum dated *[date]*]. These Final Terms must be read in conjunction with such Offering Memorandum [as so supplemented]. The Offering Memorandum [and the supplemental Offering Memorandum dated *[date]*] [is][are] available for viewing at the registered office of the Issuer.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under Offering Memorandum with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Memorandum dated *[original date]*. These Final Terms contains the final terms of the Notes and must be read in conjunction with the Offering Memorandum dated *[current date]* [and the supplemental Offering Memorandum dated *[date]*], save in respect of the Conditions which are extracted from the Offering Memorandum dated *[original date]* and are attached hereto.]

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED] WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)). EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO PERSONS WHO ARE BOTH “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A (“QIBS”)), AND “QUALIFIED PURCHASERS” (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT (“QPS”))] [AND FOR LISTING OF THE NOTES ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE (FOR TRADING ON THE EURO MTF MARKET)]. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A AND THE EXEMPTION FROM THE PROVISIONS OF THE INVESTMENT COMPANY ACT PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE

NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE REMAINDER OF THE OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS” CONTAINED IN THE OFFERING MEMORANDUM.

[THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.]

EUROPEAN ECONOMIC AREA / PROHIBITION OF SALES TO EEA RETAIL INVESTORS — THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (THE “EEA”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (“MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN THE PROSPECTUS REGULATION (AS DEFINED BELOW). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION. THE EXPRESSION “PROSPECTUS REGULATION” MEANS REGULATION (EU) 2017/1129, AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN THE MEMBER STATE CONCERNED.

[MIFID II PRODUCT GOVERNANCE / TARGET MARKET – *[appropriate target market legend to be included if necessary]]**[Delete if no target market legend to be included]*

SINGAPORE SFA PRODUCT CLASSIFICATION — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAAN16: Notice on Recommendations on Investment Products).

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub- paragraphs. Italics denote directions for completing the Final Terms.]

1. Issuer: Banco BTG Pactual S.A. [, acting through its principal office in Brazil] [, acting through its Cayman Islands Branch]
2. [(i)] Series Number: []
 [(ii)] Tranche Number: []
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. (i) Specified Currency or Currencies []
 (Condition 1(d)):

- (ii) Specified Principal Payment Currency if different from Specified Currency (Condition 1(d)): []
- (iii) Specified Interest Payment Currency if different from Specified Currency (Condition 1(d)): []
4. Aggregate Nominal Amount: []
- (i) Series: []
- (ii) Tranche: []
5. [(i)] Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
- [(ii)] Net proceeds: [] (*Required only for listed issues*)
6. Specified Denominations (Condition 1(b)): []*
7. (i) Issue Date (Condition 5(III)): []
- (ii) Interest Commencement Date: []
8. Maturity Date (Condition 6(a)): [*Specify date or (for Floating Rate Notes) Specified Interest Payment Date falling in or nearest to the redemption month*]
9. Interest Basis (Condition 5): [Fixed Rate (Condition 5(I))]
[Floating Rate (Condition 5(II))]
[Zero Coupon (Condition 5(IV))]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
10. Redemption/Payment Basis (Condition 6(a)): [Redemption at par]
[Index Linked Redemption (*specify*)]
[Dual Currency (*specify*)]
[Partly Paid (*specify*)]
[Installment (*specify*)]
[Other (*specify*)]
11. Change of Interest or Redemption/ Payment Basis: [Not Applicable] [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options (Condition 6(e) and (f)): [Noteholder Put]

(1) * Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

- [Issuer Call]
[(further particulars specified below)]
13. Status of the Notes (Condition 3): [Senior] [*Specify status if different from Condition 3*]
14. Listing: [Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market/Other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
16. Fixed Rate Note Provisions (Condition 5(I)): [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate(s) of Interest: [] % per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [*adjusted in accordance with [specify Business Day Convention and any applicable Business Center(s) for the definition of "Relevant Business Day"]/not adjusted*]
- (iii) Fixed Coupon Amount(s): [] per lowest Specified Denomination
- (iv) Broken Amount(s): [Not Applicable] [*Insert particulars of any initial or final broken interest amounts*]
- (v) Day Count Fraction (Condition 5(III)): []
(Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested)
- (vi) Determination Date(s) (Condition 5(III)): [Same as the Interest Payment Date] [] in each year [*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon only to be completed for an issue where day count fraction is Actual/Actual-ISMA*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
17. Floating Rate Note Provisions (Condition 5(II)): [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Interest Period(s)/Specified Interest Payment Dates: .. []
- (ii) Business Day Convention (Condition 5(III)): [Floating Rate Business Day Convention/
Following Business Day Convention/
Modified Following Business Day

	Convention/ Preceding Business Day Convention/Other (give details)]
(iii) Business Center(s) (Condition 5(III)):	[]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:.....	[Screen Rate Determination/ISDA Determination/other (give details)]
(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[]
(vi) Screen Rate Determination (Condition 5(II)(b)(i)):	[Applicable/Not Applicable]
• Interest Determination Date(s) (Condition 5(III)):	[]
• Primary Source for Floating Rate:.....	[Specify relevant screen page or "Reference Banks"]
• Reference Banks (if Primary Source is "Reference Banks"):	[Specify four]
• Relevant Banking Center:	[Specify]
• Benchmark and Reference Rate(s):	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean]
(vii) ISDA Determination (Condition 5(II)(b)(iv)):	[Applicable/Not Applicable]
• Floating Rate Option:	[]
• Designated Maturity:.....	[]
• Reset Date:	[]
• ISDA Definitions (if different from those set out in the Conditions):.....	[]
(viii) Margin(s):.....	[+/-][]% per annum
(ix) Minimum Rate of Interest:	[]% per annum
(x) Maximum Rate of Interest:	[]% per annum
(xi) Day Count Fraction (Condition 5(III)):.....	[]
(xii) Rate Multiplier:	[]
(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 5(II)(b)):	[]
(xiv) Relevant Financial Center:	[]
18. Zero Coupon Note Provisions (Conditions 5(IV) and 6(d)):	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-

- paragraphs of this paragraph)*
- (i) Amortization Yield: ☐ % per annum
- (ii) Reference Price: ☐
- (iii) Basis: [Straightline/Compounded at *specify* interval]
- (iv) Day Count Fraction
(Condition 5(III)): ☐
- (v) Any other formula/basis of determining amount payable: ☐
19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph - if applicable, complete terms MUST be set out in these Final Terms)
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: ☐
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: ☐
- (iv) Interest Period(s)/Specified Interest Payment Dates: .. ☐
- (v) Business Day Convention: [Floating Rate Business Day Convention/
Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/other
(give details)]
- (vi) Business Center(s)
(Condition 5(III)): ☐
- (vii) Minimum Rate of Interest: ☐ % per annum
- (viii) Maximum Rate of Interest: ☐ % per annum
- (ix) Day Count Fraction
(Condition 5(III)): ☐
20. Dual Currency Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph - if applicable, complete terms MUST be set out in these Final Terms)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: ☐

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: ☐
- (iv) Person at whose option Specified Currency(ies) is/are payable: ☐
- (v) Day Count Fraction (Condition 5(III)): ☐

PROVISIONS RELATING TO REDEMPTION

- 21. Call Option (Condition 6(e)): ☐ [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Optional Redemption Date(s): ☐
 - (ii) Optional Redemption Amounts(s) of each Note and method, if any, of calculation of such amount(s): ☐ per Note of ☐ Specified Denomination
[Provide description of calculation and methodology]
 - (iii) If redeemable in part: ☐ [Applicable/Not Applicable]
 - (a) Minimum nominal amount to be redeemed: ☐
 - (b) Maximum nominal amount to be redeemed: ☐
 - (iv) Notice period* ☐ [Applicable/Not Applicable]
- 22. Put Option (Condition 6(f)): ☐ [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 - (i) Optional Redemption Date(s): ☐
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): ☐ per Note of ☐ Specified Denomination
 - (iii) Description of any other Noteholders' option: ☐
 - (iv) Deposit period (if other than as set out in the Conditions): ☐
 - (v) Notice period: ☐ [As specified in Condition 6(e)] [Specify other notice period]*
- 23. Final Redemption Amount of each Note: ☐ per Note of ☐ Specified Denomination/Other/See Appendix
 - (i) Alternative Payment Mechanism (Condition 7(a) and (b)): ☐ [Not applicable as Condition 7(b)(ii) applies]
[Condition 7(b)(iii)] [Provide details of Alternative Payment Mechanism]

(2) * If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and the principal paying agent, or trustee.

- (ii) Long Maturity Note (Condition 7(e))..... [Applicable/Not Applicable]
24. Early Redemption Amount:.....
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or on an Event of Default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions): []
- (ii) Original Withholding Level (Condition 6(c)): []
- (iii) Unmatured Coupons to become void (Condition 7(e)): [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:..... [Bearer Notes/Registered Notes] [delete as appropriate]
- Bearer Notes¹
- (i) Temporary or Permanent Global Note: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
[Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
- (ii) Exchange Date in respect of Temporary Global Note: [Not Applicable/specify date]
- (iii) Applicable TEFRA exemption:..... [C Rules/D Rules/Not Applicable]
- Registered Notes³
- (i) DTC Global Notes, European Global Notes or individual Definitive Registered Notes: [DTC Restricted Global Note and/or DTC Unrestricted Global Note/European Unrestricted Global Note available on Issue Date] [European Restricted Global Note and/or European Unrestricted Global Note available on Issue Date]
[Individual Definitive Registered Notes available on Issue Date]
26. Financial Center(s) (Condition 7(a)(iii)) or other special provisions relating to payment dates: [Not Applicable /Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which

¹ Include items (i), (ii) and (iii) if Notes are Bearer Notes and delete item (i) relating to Registered Notes.

³ Include item (i) if Notes are Registered Notes and delete (i), (ii) and (iii) if Notes relating to Bearer Notes.

- items 16(ii), 17(iii) and 19(vi) relates]*
27. Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature): [Not Applicable] [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable /give details]
(*If applicable, complete terms MUST be set out in these Final Terms*)
29. Details relating to Installment Notes: [Not Applicable /give details]
(*If applicable, complete terms MUST be set out in these Final Terms*)
30. Redenomination, renominialization and reconventioning provisions: [Not Applicable /The provisions annexed to these Final Terms apply]
31. Consolidation provisions (Condition 15): [Not Applicable /The provisions annexed to these Final Terms apply / *provide additional details*]
32. Other terms or special conditions: [Not Applicable /Applicable /give details]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable /give details]
(ii) Stabilizing Manager (if any): [Not Applicable /give details]
(iii) Commissions and Concessions: []
34. If non-syndicated, name of Dealer: [Not Applicable /give details]
35. Additional selling restrictions: [Not Applicable /give details]

OPERATIONAL INFORMATION

36. (i) ISIN: []
(ii) CUSIP: []
(iii) CINS: Not Applicable
(iv) Other: [Euro MTF market of the Luxembourg Stock Exchange Securities Number: [To be provided]]
37. Common Code: []
38. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
39. Delivery: Delivery [against/free of] payment
40. Principal Paying Agent: [Deutsche Bank AG, London Branch/give details]
41. Discharge and indemnity provision: [Applicable / Not Applicable] (*If applicable,*

provide details)

42. Additional Agent(s) (if any): []

[EXPECTED RATING]

The Notes are expected to be rated “[]” by [Moody’s Investors Services, Inc.] and “[]” by [Fitch Ratings Ltd.] A Note rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.

[Rating Agency disclosures: include relevant text]

[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). *[As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]*

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (as amended). *[Insert the legal name of the relevant non-EU credit rating agency entity]* is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency] is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). However, *[insert the legal name of the relevant EU CRA affiliate]*, which is established in the European Union and registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], has disclosed the intention to endorse credit ratings of *[insert the legal name of the relevant non-EU credit rating agency entity]*.]

[[Insert legal name of relevant credit rating agency entity] is not established in the European Union, but it is certified in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[LISTING APPLICATION]

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the US\$[] Global Medium Term Note Programme of Banco BTG Pactual S.A.]

[STABILIZATION]

In connection with the offering of the Notes, [enter name of stabilizing manager(s) (the “Stabilizing Manager(s)”) (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of the allotment of the Notes, whichever is earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager(s) (or persons acting on behalf of the Stabilizing Manager(s)) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager(s) (or persons acting on their behalf) [and on the trading venue].]

[RESPONSIBILITY]

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum referred to above, contain all information that is material in the context of the Notes.

[MATERIAL ADVERSE CHANGE STATEMENT

Save as disclosed in the Offering Memorandum and in these Final Terms, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries (taken as a whole) since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the prospects of the Issuer since [insert date of last published audited accounts].]

GOVERNING LAW AND JURISDICTION

The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law. The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed (“Proceedings”) may be brought in such courts.

Signed on behalf of the Issuer:

By: _____
Duly authorized signatory

By: _____
Duly authorized signatory

ISSUER

Acting Through its Principal Office in Brazil

Banco BTG Pactual S.A.

Praia de Botafogo, 501, 5th and 6th Floors
Rio de Janeiro, RJ-22250-040
Brazil

Acting Through its Cayman Islands Branch

Banco BTG Pactual S.A.

PO Box 1353
Harbour Place, 5th Floor
103 South Church Street
Grand Cayman KY1-1108
Cayman Islands

TRUSTEE

Deutsche Trustee Company Limited

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**PRINCIPAL PAYING AGENT, LONDON PAYING AGENT, TRANSFER AGENT AND
CALCULATION AGENT**

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**PAYING AGENT, U.S. REGISTRAR AND
TRANSFER AGENT**

Deutsche Bank Trust Company Americas

60 Wall Street, 24th Floor
New York, NY 10005 USA
Mail Stop: NYC60-2407

**PAYING AGENT, EUROPEAN REGISTRAR
AND**

TRANSFER AGENT

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

FORM OF THE NOTES; BOOK ENTRY AND TRANSFER

Bearer Notes

Bearer Notes of each Tranche of a Series will initially be represented by a Temporary Global Note or by a Permanent Global Note (together, a “Global Note”), each without coupons, which will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear on the relevant Issue Date. Interests in the Temporary Global Note will be exchanged in whole or in part for interests in a Permanent Global Note representing Bearer Notes of the relevant Tranche, not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Permanent Global Note and any Definitive Note, Talon and Coupon will bear the following legend:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE.”

The sections of the Code referred to in the legend provides that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realized on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Summary of Provisions Relating to Bearer Notes while in Global Form

Each Permanent Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

(a) *Exchange:* A Temporary Global Note is exchangeable in whole or in part for interests in the Permanent Global Note representing Bearer Notes not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. A Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for Definitive Notes if the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by such holder giving notice to the London Issuing and Paying Agent. If so specified in the relevant Final Terms, a Temporary Global Note or a Permanent Global Note is exchangeable in whole or in part for Registered Notes in accordance with its terms.

On or after any Exchange Date (as defined below), the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the London Issuing and Paying Agent. In exchange for the Permanent Global Note, the relevant Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes (having attached to them all coupons and talons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed and/or (if so specified in the relevant Final Terms) Registered Notes. On exchange of the Permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder.

“Exchange Date” means a day falling not less than 40 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located.

(b) *Payments:* No payments will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Bearer Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bearer Notes, surrender of the Permanent

Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bearer Notes.

(c) *Notices:* So long as the Bearer Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London or, if any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe. It is expected that such publication will be made in the *Financial Times* in London. In addition, notices will be published in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at www.bourse.lu (so long as the Notes are listed on Luxembourg Stock Exchange and traded on the Euro MTF market). Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication and will, if published more than once in a different manner, be deemed to have been given on the date of the last publication.

(d) *Prescription:* Claims against the relevant Issuer in respect of principal and interest in respect of a Global Note will become prescribed unless such Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

(e) *Meetings:* The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged.

(f) *Purchase and cancellation:* Cancellation of any Bearer Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the nominal amount of the relevant Global Note and evidenced by the appropriate notation in the relevant schedule to such Global Note.

(g) *Call option:* The Issuer's call option in Condition 6(e) (*Redemption at the option of the Issuer*) may be exercised by the relevant Issuer giving notice to the Noteholders in accordance with Condition 6(e) (*Redemption at the option of the Issuer*) and such notice shall be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes.

(h) *Put option:* The Noteholders' put option in Condition 6(f) (*Redemption at the option of Noteholders*) may be exercised by the holder of a Global Note giving notice to a Paying Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in Condition 6(f) (*Redemption at the option of Noteholders*).

Registered Notes

Registered Notes of each Tranche of a Series which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes") will initially be represented by interests in either a European Unrestricted Global Note or a DTC Unrestricted Global Note, in each case without interest coupons and (i) in the case of a European Unrestricted Global Note, deposited with a common depositary for, and registered in the name of a nominee of a common depositary for, Clearstream, Luxembourg and Euroclear on its Issue Date; or (ii) in the case of a DTC Unrestricted Global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date.

Registered Notes of such Tranche resold pursuant to Rule 144A ("Restricted Notes") will initially be represented by either a European Restricted Global Note or a DTC Restricted Global Note, in each case without interest coupons and (i) in the case of a European Restricted Global Note, deposited with a common depositary for, and registered in the name of a nominee of a common depositary for, Clearstream, Luxembourg and Euroclear on its Issue Date; or (ii) in the case of a DTC Restricted Global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any DTC Restricted Global Note will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under "Transfer Restrictions."

U.S. Dollar Equivalent

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another currency shall be determined, at the discretion of the relevant Issuer, either as of the date of agreement to issue such Notes (the “Agreement Date”) or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case on the basis of the Exchange Rate on the relevant date of calculation. As used herein, the “Exchange Rate” means the spot rate for the sale of U.S. dollars against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the relevant Issuer at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The U.S. dollar equivalent of any Zero Coupon Note and any other Note issued at a discount shall be calculated, in relation to the Specified Currency, in the manner specified above and with the Exchange Rate so determined to apply in respect of any other U.S. dollar equivalent determination for the same Notes and, in relation to the nominal amount, by reference to the amortization yield formula as specified in the Conditions applicable to such Notes as of the same dates as specified in the preceding paragraph or, if no formula is so specified, the nominal amount of the Notes. The U.S. dollar equivalent of a Note issued at a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer from the relevant issue of Notes.

Book-Entry Ownership

Bearer Notes

The Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear. Each Temporary Global Note or Permanent Global Note will have an ISIN number and a Common Code. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

Registered Notes

References below to “Registrar” shall mean, in respect of any DTC Global Note, the U.S. Registrar and, in respect of any European Global Note, the European Registrar.

The Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a European Unrestricted Global Note or a European Restricted Global Note. Each such Global Note will have an ISIN number and a Common Code.

The Issuer and the Dealer or Dealer with respect to a Tranche of Notes will make application to DTC for acceptance in its book entry settlement system of the Notes represented by each DTC Restricted Global Note or DTC Unrestricted Global Note. Each DTC Restricted Global Note will have a CUSIP number and each DTC Unrestricted Global Note will have a CINS number. Each DTC Restricted Global Note and each European Restricted Global Note will be subject to restrictions on transfer contained in a legend appearing on the front of each such Note, as set out under “Transfer Restrictions.” In certain circumstances, as described below in “Transfers of Registered Notes,” transfers of interests in a DTC Restricted Global Note or a European Restricted Global Note may be made as a result of which such legend is no longer applicable.

The custodian with whom the DTC Restricted Global Note or DTC Unrestricted Global Note is deposited (the “Custodian”) and DTC will electronically record the nominal amount of the Notes held within the DTC system. In the case of Notes represented by a DTC Unrestricted Global Note, until the expiration of 40 days after the later of the commencement of the offering and the Issue Date of a Tranche of Notes, investors in Notes of such Series may hold their interests in a DTC Unrestricted Global Note only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in such system, or indirectly through organizations which are participants in DTC. Clearstream, Luxembourg and Euroclear

will hold interests in a DTC Unrestricted Global Note on behalf of their accountholders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in a DTC Unrestricted Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Deutsche Bank AG, London Branch will initially act as depositary for Euroclear and Deutsche Bank AG, London Branch will initially act as depositary for Clearstream, Luxembourg. Investors may hold their interests in a DTC Restricted Global Note directly through DTC if they are participants in the DTC system, or indirectly through organizations which are participants in such system. Investors in Notes represented by a European Restricted Global Note or a European Unrestricted Global Note may hold their interests in such Note only through Clearstream, Luxembourg or Euroclear.

Payments of the principal of, and interest on, each DTC Restricted Global Note or DTC Unrestricted Global Note registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such DTC Restricted Global Note or DTC Unrestricted Global Note. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Global Notes held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any DTC Restricted Global Note or DTC Unrestricted Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of: (i) a DTC Restricted Global Note and either a DTC Unrestricted Global Note or a European Unrestricted Global Note; or (ii) a European Restricted Global Note and/or a European Unrestricted Global Note. Individual definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Final Terms and, in the case of Restricted Notes, in amounts of US\$200,000 (or its equivalent in other currencies rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of US\$1,000, in certain limited circumstances described below.

Individual Definitive Registered Notes

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will not be permitted unless: (i) in the case of DTC Restricted Global Notes and DTC Unrestricted Global Notes, DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depositary with respect to the DTC Restricted Global Note and DTC Unrestricted Global Notes, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of European Unrestricted Global Notes and European Restricted Global Notes, Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Issuer will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s). A person having an interest in a Registered Global Note must provide the Registrar with:

- a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and
- in the case of a DTC Restricted Global Note or a European Restricted Global Note only, a fully completed and signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule

144A. Individual definitive Registered Notes issued pursuant to this paragraph shall bear the legends applicable to transfers pursuant to Rule 144A.

Transfers of Registered Notes

Transfers of interests in Registered Global Notes within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system, in the case of DTC Restricted Global Notes and European Restricted Global Notes, those applicable to 144A/3(c)(7) securities. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Restricted Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Restricted Global Note or DTC Unrestricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Until the expiration of 40 days after the later of the commencement of the offering of a Series of Notes and the Issue Date therefor, beneficial interests in a DTC Unrestricted Global Note for such Series may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note to a transferee who wishes to take delivery of such interest through a DTC Restricted Global Note *provided* that any such transfer made on or prior to the expiration of the distribution compliance period (as referred to in “Subscription and Sale—United States of America”) relating to the Notes represented by such DTC Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB (as defined in Rule 144A) that is also a QP (as defined in Section 2(a)(51) of the Investment Company Act) in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Thereafter, the Registrar will make the appropriate entries in the Register. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant DTC Global Notes.

Beneficial interests in a European Unrestricted Global Note may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note or a European Unrestricted Global Note to a transferee who wishes to take delivery of such interest through the DTC Restricted Global Note or the European Restricted Global Note (as the case may be) for the same Series of Notes *provided* that any such transfer made on or prior to the expiration of the distribution compliance period (as referred to in “Subscription and Sale—United States of America”) relating to the Notes represented by such DTC Unrestricted Global Note or European Unrestricted Global Note (as the case may be) will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB (as defined in Rule 144A) that is also a QP (as defined in Section 2(a)(51) of the Investment Company Act) in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such DTC Unrestricted Global Note or European Unrestricted Global Note (as the case may be) will only be made upon request through (i) Clearstream, Luxembourg or Euroclear by the holder of an interest in the European Unrestricted Global Note or (ii) through DTC by the holder of an interest in the DTC Unrestricted Global Note, to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the DTC Restricted Global Note or details of the account at Euroclear or Clearstream, Luxembourg to be credited with the relevant interest in the European Restricted Global Note, as the case may be. Transfers at any time by a holder of any interest in the DTC Restricted Global Note or a European Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note or a European Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at DTC, Euroclear or Clearstream, Luxembourg, as the case may be, to be credited and debited, respectively, with an interest in the relevant global Registered Notes.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions,” cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant global Registered Notes will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of: (i) three business days after the trade date for the disposal of the interest in the relevant global Registered Note resulting in such transfer; and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions.”

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Restricted Global Notes and DTC Unrestricted Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Restricted Global Notes or DTC Unrestricted Global Notes are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note, as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Restricted Global Note or Unrestricted Global Note for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerized book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the global Registered Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear, or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a DTC Restricted Global Note or DTC Unrestricted Global Note is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS OF OWNING AND DISPOSING OF THE NOTES.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a non-resident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes.

Prospective purchasers should consult their tax advisors as to the specific tax consequences of acquiring, holding and disposing of the Notes, in particular with regard to notes having special features such as Notes denominated in a foreign currency as to the holder and Notes subject to currency constraint, sovereign event or credit event provisions.

Prospective purchasers should note that, as to the discussion below, other income tax rates or treatment may be provided for in any applicable tax treaty between Brazil and the country where the relevant holder is domiciled. Prospective purchasers should also note that there is no tax treaty between Brazil and the United States.

This summary does not address any tax issues that may affect solely the Issuer, such as the deductibility of expenses and other taxes born by the Issuer in Brazil.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Notes will depend on the origin of such payments and the domicile of the recipient of such payments. Non-Brazilian holders of the Notes shall not be deemed as resident, domiciled, carrying on business or subject to taxation in Brazil solely by reason of purchasing or holding the Notes.

Interest Payments Under the Notes issued by the Cayman Islands Branch

Considering that the Notes will be issued by our Cayman Islands Branch, and based on the position that, as a general rule, the Cayman Islands Branch is considered to be domiciled outside of Brazil for tax purposes, payments of income made to a non-resident holder by the Issuer with respect to the notes issued through our Cayman Islands Branch should not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with resources held by such entities outside of Brazil. If the Cayman Islands Branch is not successfully qualified as a non-resident of Brazil and the above position does not prevail in the event of a tax dispute, the amounts remitted abroad could be subject to Brazilian withholding income tax at a rate of up to 25%, plus interest and fines, as further explained below.

Interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil with respect to debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the issuance of the Notes by our principal office in Brazil, is subject to withholding income tax. The rate of withholding income tax is generally 15%, as provided for in Section 10 of the Normative Act No. 1,455, of March 6, 2014 (the “Normative Act No. 1,455/2014”). According to the Normative Act No. 1,455/2014, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20% (or 17% provided that the requirements set forth in Normative Ruling No. 1,530 dated December 19, 2014 are met) or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents, a “tax haven jurisdiction”), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income may still be subject to withholding

income tax in respect of Brazilian income tax at the general rate of 15%. However, it is important to mention that pursuant to Section 8 of Brazilian Law No. 9,779 of January 19, 1999, if the relevant average term of credit instruments such as the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25%. Accordingly, there is a risk that the tax authorities may change the understanding above and apply the rate of 25% in the event that the beneficiary is domiciled in a tax haven jurisdiction. A lower income tax rate may be applicable by a tax treaty between Brazil and the other country where the recipient of the payment has its domicile.

Brazilian Law No. 11,727 changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Brazilian Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes it at a maximum rate lower than 20% (or 17% provided that the requirements set forth in Normative Ruling No. 1,530 dated December 19, 2014 are met); (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% (or 17% provided that the requirements set forth in Normative Ruling No. 1,530 dated December 19, 2014 are met) or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to tax haven jurisdictions and despite the legal grounds to sustain that the changes discussed in this paragraph should apply exclusively for transfer pricing purposes and thin capitalization rules, there is a risk that a privileged tax regime will be treated similarly to a tax haven jurisdiction, and therefore the concept could be extended to the burdensome income tax rates described above.

On June 4, 2010, Brazilian tax authorities enacted Normative Ruling No. 1,037 listing (i) the countries and jurisdictions considered as tax haven jurisdictions for purposes of Brazilian law and (ii) the privileged tax regimes. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the abovementioned concept of “privileged tax regime” should apply only for the purposes of Brazilian transfer pricing and thin capitalization rules, it is unclear whether such concept would also apply to payments related to the Notes to non-residents for purposes of this law. There is no judicial guidance as to the application of Law 11,727 and, accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the “privileged tax regime” concept shall be applicable to deem a non-resident Holder as a tax haven resident when carrying out investments in the applicable Notes. In the event that the “privileged tax regime” concept is interpreted to be applicable to transactions such as payments related to the Notes to non-residents, this tax law would accordingly result in the imposition of taxation to a non-resident Holder that meets the privileged tax regime requirements in the same way applicable to a tax haven resident.

Payments Under the Notes to be Made by the Issuer on Behalf of the Cayman Islands Branch with Funds Located in Brazil

In the event the Cayman Islands Branch fails to punctually pay any due amount, comprising the payment of principal, interest and all other amounts that may be due and payable in respect of the Notes, our Brazilian principal office will be required to assume the guarantee obligation to pay such due amount to the holder. In spite of the lack of a clear regulation regarding the remittance of funds from Brazil to abroad in connection with the execution of this type of obligation, there are arguments to sustain a position that this transaction should be viewed as a new credit transaction between our Brazilian principal office and the Cayman Islands Branch, which is not subject to withholding income taxation in Brazil. However, this position could be challenged by the Brazilian tax authorities since in this situation there is a clear connection between Brazil and the payments made under the Notes as the funds used are located in Brazil. If the above position does not prevail in case of a tax dispute, the amounts that may be remitted by the Issuer abroad in the aforementioned circumstances could be subject to Brazilian withholding income tax at a rate of 15%, or 25% if the non-resident holder is domiciled in a tax haven jurisdiction. Other tax rates may apply in case of a tax treaty between Brazil and the country of residence of the beneficiary.

In the event our Brazilian principal office is required to make any payment as a guarantor in connection with the Notes to the holder, and in case Brazilian withholding tax is considered due our Brazilian principal office would be required to pay such additional amounts as may be necessary to ensure that the net amounts receivable by the holder after withholding for taxes will equal the amounts that would have been payable in the absence of such withholding.

Gains

According to Section 26 of Brazilian Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil.

Based on the fact that the Notes are issued abroad and, therefore, may not fall within the definition of assets located in Brazil for purposes of Brazilian Law No. 10,833, gains on the sale or other disposition of such Notes made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes. However, considering the general scope of Brazilian Law No. 10,833 and the absence of judicial guidance in respect thereof, it is impossible to predict whether such interpretation will ultimately prevail in the Brazilian courts.

If the Notes are deemed to be “assets located in Brazil” pursuant to Brazilian Law No. 10,833, gains recognized by non-resident holders from the sale or other disposition of the Notes will be subject to income tax in Brazil. Assuming that the beneficiary is not located in a tax haven jurisdiction, the applicable rates would be: (i) 15% for the part of the gain that does not exceed R\$5.0 million, (ii) 17.5% for the part of the gain that exceeds R\$5.0 million but does not exceed R\$10.0 million, (iii) 20% for the part of the gain that exceeds R\$10.0 million but does not exceed R\$30.0 million and (iv) 22.5% for the part of the gain that exceeds R\$30.0 million. If the beneficiary is domiciled in a tax haven jurisdiction, then the withholding tax would be levied at a rate of 25%. Other income tax rates may apply in case of a tax treaty between Brazil and the country of residence of the beneficiary.

Other Tax considerations

IOF/Câmbio may apply if payments are made from Brazil. Pursuant to Decree No. 6,306, of December 14, 2007, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the IOF/Câmbio. Currently, the IOF/Câmbio rate is 0.38% for most transfers of foreign currency into *reais*. According to Section 15-B of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, are subject to IOF/Câmbio at a zero percent rate for foreign loans with a minimum average term of more than 180 days. Foreign loans or notes with an average term equal to or lower than 180 days is subject to IOF/Câmbio at a 6% rate. If a foreign loan or note with a minimum average term of more than 180 days is partially or fully redeemed in a period of less than 180 days from their issuance IOF/Câmbio will be due at a 6% rate (plus applicable fines and interest). Note that the Brazilian Government may increase the current IOF/Câmbio rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions. Under Decree No. 6,306, of December 14, 2007, IOF/ Câmbio taxpayers are the acquirers and sellers of foreign currency. In the event our Brazilian principal office is required to make any payment as a guarantor in connection with the Notes to the holder it is not clear whether section 15-B would be applicable to the remittance of funds. In case section 15-B is not applicable, IOF/Câmbio would be due at the general rate which is currently 0.38%.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil. Under Brazilian law, the transfer of a Note by gift made by a holder (whether or not a non-resident holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed on the donee by the state in which such Brazilian resident resides.

EU Directive on Administrative Cooperation in the Field of Taxation

European Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by European Council Directive 2014/107/EU, European Council Directive 2015/2376/EU, European Council Directive 2016/881/EU, European Council Directive 2016/2258/EU and European Council Directive 2018/822/EU) (commonly referred to as the “Directive on Administrative Cooperation” or the “DAC”) implements in the EU the Organisation for Economic Cooperation and Development’s (the “OECD”) July 2014 Common Reporting Standard (“CRS”) on the automatic exchange of financial account information. The DAC requires Member States to apply new measures on mandatory automatic exchange of information with effect from January 1, 2016. The CRS covers not only interest income, but also dividends and other types of capital income, and the annual balance of the accounts producing such items of income. The CRS has also been implemented outside of the EU: as of September

2019, 153 jurisdictions had committed to exchanging information under the CRS, with undertaking to exchange information by 2017 or later. The United States has not to date committed to exchanging information under the CRS.

Financial Transactions Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). On March 16, 2016, Estonia formally withdrew from enhanced cooperation on FTT leaving ten remaining participating Member States.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The EU Economic and Financial Affairs Council indicated in a report dated June 14, 2019 that participating Member States are discussing the option of adopting a common FTT based on France’s domestic model of the financial transaction tax, which would apply initially to certain listed company shares and may therefore not apply to dealings in the Notes. However, no final agreement has been reached yet.

The FTT proposal (including whether or not it comes into effect as proposed or at all) remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

Cayman Islands Tax Considerations

Payments in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Note (or the legal personal representative of such holder) whose Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note.

In addition to the implementation of the Tax Information Exchange Agreement entered into with the United States on November 29, 2013, the Cayman Islands has adopted CRS pursuant to the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations (2015), as amended.

U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax considerations generally applicable to the ownership and disposition of the Notes which may be issued under the Programme. This discussion does not address the U.S. federal income tax considerations of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the U.S. federal income tax considerations relevant to some types of Notes as appropriate.

This discussion applies only to U.S. Holders (as defined below) who hold the Notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder

(“Regulations”), published positions of the Internal Revenue Service (the “IRS”), court decisions and other applicable authorities, all as currently in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not describe all of the U.S. federal income tax considerations that may be applicable to U.S. Holders in light of their particular circumstances or U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks, insurance companies and other financial institutions;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes, S corporations or other pass-through entities;
- tax-exempt entities;
- real estate investment trusts;
- regulated investment companies;
- dealers or traders in securities;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- persons holding the Notes as part of a “straddle,” conversion or other integrated transaction;
- persons that have a functional currency other than the U.S. dollar; and
- persons that actually or constructively own 10% or more of our equity (by vote or value).

In addition, this discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations to them in light of their particular situation as well as any considerations arising under the laws of any other taxing jurisdiction.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the Notes that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable Regulations to be treated as a U.S. person.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners in a partnership holding the Notes should consult their tax advisors regarding the tax considerations generally applicable to them of the ownership and disposition of the Notes.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the treatment of any gains as ordinary gains (even if the Bearer Note is otherwise held as a capital asset) and the denial of deduction for any losses.

For purposes of this summary, a “Foreign Currency Note” means a Note on which all payments which a U.S. Holder is entitled to receive are denominated in, or determined by reference to, a single foreign currency. For this purpose, foreign currency means a currency or currency unit other than U.S. dollars. The following discussion only relates to the Notes the payment of which is denominated in, or determined by reference to, a single currency, whether that currency is a foreign currency or U.S. dollars. If a Note is issued in circumstances where interest payments on the Note are denominated in, or determined by reference to, one currency and the principal portion of the Note may be denominated in, or determined by reference to, another currency (“Dual Currency Notes”), the applicable Final Terms will discuss the U.S. federal income tax considerations in respect of these features to U.S. Holders. The following discussion only relates to Notes that are properly treated as debt for U.S. federal income tax purposes. If a Note is issued in circumstances where the Note is or may be properly treated as equity for U.S. federal income tax purposes, the applicable Final Terms will discuss the U.S. federal income tax considerations in respect of such treatment to U.S. Holders. If a Note is issued in circumstances where the Note is properly characterized as a contingent payment debt instrument for U.S. federal income tax purposes, the applicable Final Terms will discuss the U.S. federal income tax considerations in respect of such characterization to U.S. Holders.

The discussion herein is subject to, and should be read in conjunction with, any discussions contained in the Final Terms.

THE FOLLOWING DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS RELATING TO THE OWNERSHIP AND DISPOSITION OF THE NOTES. THE TAX TREATMENT MAY VARY DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSIDERATIONS OF THE OWNERSHIP AND DISPOSITION OF THE NOTES.

Payments of Interest

General

Interest on the Notes other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “—Payments of Interest—Original Issue Discount”), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the particular holder’s method of accounting for U.S. federal income tax purposes. Interest paid or accrued on the Notes and original issue discount (“OID”), if any, accrued with respect to the Notes (as described below under “—Payments of Interest—Original Issue Discount”) will generally constitute foreign-source income for foreign tax credit purposes. Prospective purchasers should consult their own tax advisors concerning the applicability of the foreign tax credit and source rules to income attributable to the Notes.

Foreign Currency Denominated Interest

If interest is paid on Foreign Currency Notes, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be such U.S. Holder’s tax basis in the foreign currency received. If the interest payment is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency exchange gain or loss in respect of the interest income. A U.S. Holder may have foreign currency exchange gain or loss (generally taxable as an ordinary gain or loss) if the interest payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S. source gain or loss for foreign tax credit purposes. For U.S. Holders that are cash basis U.S. Holders and are required to accrue OID on a Foreign Currency Note, rules similar to the rules described in the following paragraph will apply with respect to the OID.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to interest paid on a Foreign Currency Note in accordance with one of two methods. Under the first method, the amount of income accrued (including OID, but reduced by amortizable bond premium to the extent applicable) will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, at the average rate for the partial period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued (including OID) on the basis of the

exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the taxable year). If a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of accrued interest payments (including OID and a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) on a Foreign Currency Note, a U.S. Holder may recognize foreign currency exchange gain or loss (generally taxable as an ordinary gain or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt) in respect of the accrual period and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If the payment is then converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize any additional foreign currency exchange gain or loss in respect to the payment. A U.S. Holder may have additional foreign currency exchange gain or loss if the payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S. source gain or loss for foreign tax credit purposes.

Effect of Foreign Withholding Taxes

As discussed under “Taxation—Brazilian Tax Considerations,” payments in respect of the Notes may be subject to foreign withholding taxes. As discussed under “Terms and Conditions of the Notes—Taxation,” under certain circumstances the Issuer may become liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no foreign withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of foreign taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the foreign taxing authorities, as applicable. In this case, the amount of income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for foreign income taxes properly withheld by the Issuer; provided that, if a U.S. Holder elects to deduct foreign taxes for any taxable year, such U.S. Holder must deduct, rather than credit, all foreign taxes for such taxable year. Interest and OID will generally constitute foreign source income in the “passive income” basket. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of foreign income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these foreign income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the foreign taxes in the year those taxes are actually withheld by the Issuer. Prospective purchasers should consult their own tax advisors regarding the foreign tax credit implications and other tax considerations with respect to the payment of such withholding taxes.

Original Issue Discount

A Note, other than a Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (a “Discount Note”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity), and the amount of OID will be equal to such excess. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “installment obligation”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): the product of (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included

in the issue of which the Note is a part are sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of qualified stated interest. A payment of “qualified stated interest” generally is any one of a series of stated interest payments on a Note that are unconditionally payable (other than in debt instruments of the issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. If a Note provides for more than one fixed rate of stated interest, interest payable at the lowest stated rate generally is qualified stated interest, with any excess included in the stated redemption price at maturity for purposes of determining whether the Note was issued with OID. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If such an option were not in fact exercised, the Note would be treated, solely for purposes of calculating OID, as if it were redeemed and a new note were issued on the presumed exercise date for an amount equal to the Note’s “adjusted issue price” on that date. If such a deemed reissuance occurs when the remaining term of the Notes is one year or less, it is possible that the Note would thereafter be treated as a short-term debt instrument. See “—Payments of Interest—Short-Term Notes” below. A Note’s adjusted issue price is its issue price increased by the amount of previously includable OID and decreased by the amount of any prior payments on the note that do not constitute qualified stated interest.

A U.S. Holder of Discount Notes must generally include OID in gross income as ordinary interest income as it accrues over the term of the Discount Notes using the “constant-yield method” based on a compounding of interest without regard to its regular method of accounting for U.S. federal income tax purposes and in advance of the receipt of cash payments attributable to that income. Under the constant-yield method, the amount of OID will generally increase over the term of the Discount Notes.

U.S. Holders may make an election (a “constant-yield election”) to include in gross income all interest that accrues on any Notes as described below under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount.”

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “acquisition premium”) and that does not make the election described below under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount,” is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or in the case of a Discount Note, in excess of its stated redemption price at maturity will be considered to have purchased the Note at a premium and the OID rules will not apply to such U.S. Holder. Such U.S. Holder may elect to treat the excess as “amortizable bond premium,” in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note’s yield to maturity) to that year. Any election to amortize bond premium shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “—Payments of Interest—Election to Treat All Interest as Original Issue Discount” below.

Market Discount

A Note, other than a Short-Term Note, will generally be treated as purchased at a market discount (a “Market Discount Note”) if the Note’s stated redemption price or, in the case of a Discount Note, the Note’s revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note’s maturity (or, in the case of a Note that is an installment obligation, the Note’s weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes “*de minimis* market discount.” For this purpose, the “revised issue price” of a Discount Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognized on the maturity, sale or other taxable disposition, of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent of the market discount accrued on the Note at that time, unless such market discount has been previously included in income pursuant to an election to include market discount in income as it accrues (a “market discount accrual election”), or pursuant to the constant-yield election described under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount” below. If a U.S. Holder makes a market discount accrual election, that election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includable in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Because of the complexity and variety of special rules relating to the treatment of market discount and acquisition and bond premium, prospective purchasers should consult their own tax advisors concerning the U.S. federal income tax considerations of purchasing the Notes at a discount or a premium from the Note’s issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may make a constant-yield-election to include in gross income all interest that accrues on a Note using the constant-yield method described above under “—Payments of Interest—Original Issue Discount,” with certain modifications. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium (described above under “—Payments of Interest—Notes Purchased at a Premium”) or acquisition premium. The election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Market Discount Note, such election will result in a deemed market discount accrual election (described above under “—Payments of Interest—Market Discount”) for the taxable year in which such U.S. Holder acquired the Note and all succeeding years. The electing U.S. Holder will be treated as having made the election to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. This election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Short-Term Note and is an accrual basis U.S. Holder, then the U.S. Holder is required to accrue OID based on daily compounding.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consideration of making this election under their particular circumstances.

Variable Interest Rate Notes

A Note that provides for interest at a variable rate (a “Variable Interest Rate Note”) will be treated as a “variable rate debt instrument” under Regulations governing accrual of OID if (a) its issue price does not exceed the

total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount; (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

If a Variable Interest Rate Note qualifies as a “variable rate debt instrument,” then any stated interest on the Note which is unconditionally payable in cash or property (other than in debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. If a Variable Interest Rate Note does not qualify as a “variable rate debt instrument,” then the Variable Interest Rate Note will be treated as a contingent payment debt obligation.

In the event the Issuer issues a Variable Interest Rate Note, the applicable Final Terms will more fully describe the U.S. federal income tax considerations thereof.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of these rules for Short-Term Notes) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or may make the constant-yield election described above under “—Payments of Interest—Election to Treat All Interest as Original Issue.” In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes to the extent the interest does not exceed the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Foreign Currency Notes

OID for each accrual period on a Discount Note that is a Foreign Currency Note will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under “—Payments of Interest—Foreign Currency Denominated Interest.” Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market discount on a Foreign Currency Note will be accrued in the foreign currency. If a U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the sale or retirement of the Note, the U.S. dollar value of the amount accrued, calculated at the exchange rate on that date, and no part of this accrued market discount will be treated as foreign exchange gain or loss.

Amortizable bond premium and acquisition premium on a Foreign Currency Note will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. U.S. Holders will realize foreign currency gain or loss with respect to amortized bond premium with respect to any period by treating that amortized bond premium in the same manner as a return of principal on the sale or other taxable disposition of a Foreign Currency Note (as discussed below under “—Sale, Exchange or Other Taxable Disposition of Notes—Foreign Currency Notes”). If the election is not made, any loss realized on the sale, exchange or retirement of a Foreign Currency Note will be capital loss to the extent of the bond premium.

Sale, Exchange or Other Taxable Disposition of Notes

General

A U.S. Holder’s tax basis in a Note will generally be its cost increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognize gain or loss on the sale, exchange or other taxable disposition of a Note equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the tax basis of the Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “—Payments of Interest—Market Discount” or “—Payments of Interest—Short-Term Notes” or attributable to changes in exchange rates (as discussed below under “—Sale Exchange or Other Taxable Disposition of Notes—Foreign Currency Notes”), gain or loss recognized on the sale, exchange or other taxable disposition of a Note will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder’s holding period in the Notes exceeds one year at the time of such sale, exchange or other taxable disposition. Long-term capital gain recognized by individual and other non-corporate U.S. Holders will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitations.

Gain or loss realized by a U.S. Holder on the sale, exchange or other taxable disposition of a Note will generally be U.S. source. Therefore, a U.S. Holder may have insufficient foreign-source income to utilize foreign tax credits attributable to any Brazilian withholding tax imposed on a sale or disposition. Prospective purchasers should consult their own tax advisors as to the availability of and limitations on any foreign tax credit attributable to any such withholding tax.

Foreign Currency Notes

A U.S. Holder’s tax basis in a Foreign Currency Note will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects) on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar value of the U.S. Holder’s purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

The rules applicable to Foreign Currency Notes could require some or all of the gain or loss realized upon a sale or other taxable disposition of the Notes that is attributable to fluctuations in currency exchange rates (“foreign currency gain or loss”) to be treated as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex, and their application may depend on the U.S. Holder’s particular U.S. federal income tax situation. For example, various elections are available under these rules, and U.S. Holders should consult their tax advisors regarding the U.S. federal income tax considerations of the ownership and disposition of Foreign Currency Notes.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new Notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Notes (as determined for U.S. federal income tax purposes) and the U.S. Holder’s tax basis in the Notes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations to them of a change in obligor with respect to the Notes.

Reportable Transactions

Regulations that are intended to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under applicable Regulations, certain transactions are required to be reported to IRS, including, in certain circumstances, a disposition of Foreign Currency Notes or foreign currency received in respect of Foreign Currency Notes to the extent that such disposition results in a tax loss in excess of a threshold amount.

U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, with respect to an investment in Foreign Currency Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Financial Asset Reporting and Information Reporting and Backup Withholding

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 are generally required to file an information statement along with their tax returns with respect to such assets. “Specified foreign financial assets” include securities issued by a non-U.S. issuer that are not held in accounts maintained by certain financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of US\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders are encouraged to consult with their tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

In general, information reporting requirements will apply to payments made on the Notes, as well as on proceeds from the sale, exchange or other taxable disposition of the Notes paid within the United States (and in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients (such as corporations). In addition, backup withholding at the applicable rate may apply to such amounts if a U.S. Holder fails to furnish a correct Taxpayer Identification Number on IRS Form W-9 (or substitute IRS Form W-9) or otherwise fails to comply with applicable requirements. Amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the U.S. Holder’s U.S. federal income tax liability, provided that certain required information is furnished to the IRS in a timely manner.

If applicable, certain U.S. federal income tax considerations of the ownership and disposition of each issuance of the Notes under this Programme will be further described in the relevant Final Terms.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSIDERATIONS TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSIDERATIONS ARISING UNDER STATE, LOCAL, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL INCOME OR OTHER TAX LAWS.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the acquisition of the Notes (including any interest in a Note) by (i) “employee benefit plans” (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (ii) “plans” (as defined in Section 4975(e)(1) of the Code), that are subject to Section 4975 of the Code, and (iii) entities or accounts whose underlying assets are deemed to include the assets of any such employee benefit plan or other plan (each, a “Plan”). In addition, certain employee benefit plans, such as plans maintained by a non-U.S. employer, governmental plans (as defined in Section 3(32) of ERISA) and church plans (as defined in Section 3(33) of ERISA) (if no election has been made under Code Section 410(d) by the church plan), while not subject to the fiduciary responsibility and prohibited transaction provisions of ERISA or Section 4975 of the Code (discussed below), may be subject to Similar Laws.

General Fiduciary Matters

ERISA imposes certain duties on Plans and persons who are fiduciaries of such Plans, and ERISA and the Code prohibit certain transactions involving the assets of a Plan and certain persons (referred to as “parties in interest” or “disqualified persons”), unless a statutory or administrative exemption applies to the transaction. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Plan or the management or disposition of the assets of a Plan, or who renders investment advice for a fee or other compensation to a Plan, is generally considered to be a fiduciary of the Plan.

In considering an investment in the Notes of a portion of the assets of any Plan or a plan subject to Similar Law, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the plan and the applicable provisions of ERISA, the Code or any Similar Law relating to the fiduciary’s duties to the plan, including without limitation the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any applicable Similar Law. The fiduciary should consult with its counsel and other advisors, as it deems appropriate, regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that the acquisition and holding of the Notes will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or any Similar Law. None of the Issuer, the Dealers, the Trustee, their agents nor their respective affiliates (the “Transaction Parties”) has undertaken or will undertake to provide impartial investment advice, or has given or will give advice in a fiduciary capacity in connection with a plan’s investment in the Notes.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in specified transactions involving plan assets of an ERISA Plan with persons or entities who are “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of Section 4975 of the Code, unless an exemption is available. Such parties in interest or disqualified persons could include, without limitation, any of the Transaction Parties. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that engaged in the non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. For example, the acquisition and/or holding of Notes by an Plan with respect to which the Issuer or certain of its affiliates is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, and/or certain U.S. Department of Labor prohibited transaction class exemptions may potentially apply to the acquisition and holding of the Notes. There can be no assurance that all of the conditions of any such exemption or any other exemption will be satisfied in connection with a Plan’s acquisition and holding of the Notes (including any interest in a Note), or that the scope of relief provided by any exemption will cover all acts that might be construed as prohibited transactions.

By its acquisition and holding of any Notes (including any interest in a Note), the acquiror thereof will be deemed to have represented and warranted that either: (i) it is not and for so long as it holds the Notes (or any interest therein) will not be (and is not acquiring the Notes or any interest therein directly or indirectly with the assets of a person who is or while the Notes or any interest therein are held will be) a Plan or a plan subject to

Similar Law, or (ii) its acquisition and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law.

Each purchaser of a Note (including any interest in a Note) that is a Plan (or using the assets of a Plan) by acceptance of a Note (including any interest in a Note), will be deemed to have represented and warranted that none of the Transaction Parties has or will have investment discretion or render investment advice (for a fee or other compensation) with respect to the investment by the Plan in the Notes, and none of the Transaction Parties are or will be a fiduciary with respect to the purchaser's decisions with respect to investing in Notes.

Consultation with Counsel

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that a Plan fiduciary consult with its counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Law to the acquisition and holding of the Notes and whether an exemption would be applicable to the investment in the Notes.

The sale of Notes (including an interest in a Note) to a Plan or a plan subject to Similar Law is in no respect a representation or recommendation by the Transaction Parties or any other person that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that plan such an investment is advisable or appropriate for plans generally or for any particular Plan or plan subject to Similar Law.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Issuer to or through the Dealers are set out in the amended and restated Dealer Agreement dated _____, 2019 (as amended from time to time, the “Dealer Agreement”) and made between the Issuer and the Dealers. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers, the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes.

It is intended that the Notes will normally be bought or traded by a limited number of investors who are particularly knowledgeable in investment matters.

Prior to the initial offering of the Notes under this Programme, there was no established trading market for the Notes. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, which is not a regulated market within the meaning of the MIFID Directive. Notes may also be listed on another stock exchange or may be unlisted, as specified in the Final Terms.

General

No action has been or will be taken in any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Offering Memorandum, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Issuer). The Issuer will have no responsibility for, and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, that it will obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorized to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Offering Memorandum, including the applicable Final Terms and any other information or document supplied.

Each purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Offering Memorandum or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any Dealer shall have any responsibility therefor.

Selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers. Any such modification will be set out in the Final Terms issued in respect of each Tranche to which it relates or in a supplement to this Offering Memorandum.

United States of America

The Notes have not been and will not be registered under the Securities Act, and we are not registered as an investment company under the Investment Company Act. In addition, ERISA and related regulations apply to the

purchase of Notes. Accordingly, the offering and resale of Notes are subject to significant transfer restrictions. See “Certain ERISA Considerations” and “Transfer Restrictions” for additional information on these transfer restrictions.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer that is appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Final Terms in relation thereto, to any retail investor in the EEA.

For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
 - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase, or subscribe for, the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(1) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Brazil

The Notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Brazilian Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil.

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

The Cayman Islands

Each Dealer has agreed that the Notes may not be offered or sold to nor may an invitation be made to offer or sell, and no offer or sale or invitation to offer or sell the Notes will be made, to the public in the Cayman Islands. Notes may be issued to ordinary non-resident and exempted companies of the Cayman Islands. The Issuer will comply with any direction of the Registrar of Companies in and for the Cayman Islands or the Cayman Islands Monetary Authority prohibiting (a) the sale of Notes to the public in the Cayman Islands or (b) any invitation to the public in the Cayman Islands to subscribe for the Notes.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Chile

The Notes will not be registered under Law 18,045, as amended, of Chile with the *Superintendencia de Valores y Seguros* (Chilean Securities Commission), and accordingly, they may be not be offered to persons in Chile, except in circumstances that do not constitute a public offering under Chilean law and the regulations from the *Superintendencia de Valores y Seguro*. Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the Notes.

Colombia

The Notes will not be authorized by the *Superintendencia Financiera de Colombia* (Colombian Superintendency of Finance) and will not be registered under the *Registro Nacional de Valores y Emisores* (Colombian National Registry of Securities and Issuers), and, accordingly, the Notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering pursuant to Section 6.11.1.1.1 of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside

Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and each dealer has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SPA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A), or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. Unless specified otherwise in the applicable Final Terms, the Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither this document nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of our Notes.

No U.S. Registration, Investment Company Act and Other Restrictions

We are not registered as an investment company under the Investment Company Act, and our Notes have not been registered under the Securities Act. They may not be offered or sold within the United States except in a transaction that:

- is in compliance with the registration requirements of the Securities Act and all applicable securities laws in the states of the United States;
- is exempt from, or is not subject to, the registration requirements of the Securities Act and any applicable securities laws of the states of the United States; and
- is neither prohibited by the Investment Company Act nor would require our company to register as an investment company under the Investment Company Act.

In addition, the offering or sale of our Notes must be in compliance with the applicable rules under ERISA, Section 4975 of the Code and any Similar Law.

Interests in any Restricted Global Notes will be offered and sold initially only:

- inside the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act that are also qualified purchasers (as defined in Section 2(a)(51) of the Investment Company Act) in compliance with the exemption from the registration requirements of the Securities Act provided by Rule 144A thereunder, and who have submitted orders to acquire Restricted Global Notes in an amount of not less than US\$250,000 as reasonably determined by the Dealers or as certified by the purchasers of Restricted Global Notes.

Interests in any Unrestricted Global Notes will be offered and sold initially only:

- outside the United States to persons in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act (and no such transaction may involve a sale of the Unrestricted Global Notes to or for the account or benefit of a U.S. person as defined in Regulation S) or (ii) if such person is a U.S. person (as defined in Regulation S) but the transaction otherwise complies with Regulation S, such person is a qualified purchaser (as defined in Section 2(a)(51) of the Investment Company Act) .

We are not obligated to file a registration statement with respect to our Notes, and we may not file such a registration statement.

The offer and sale of the Notes is also subject to certain ERISA restrictions as described under the section entitled “Certain ERISA Considerations” and summarized in the representations deemed made by the purchaser of our Notes and the legends included in our Notes, as set forth below in these transfer restrictions

Each purchaser of Notes may be required, at the Dealer’s exclusive discretion, to certify in any manner acceptable to the Dealer that such purchaser is eligible to purchase the Notes being offered under the Programme.

Investment Company Act

In reliance on Section 3(c)(7) under the Investment Company Act (“Section 3(c)(7)”), we have not registered as an investment company pursuant to the Investment Company Act. To rely on Section 3(c)(7), we must have a “reasonable belief” that all purchasers of the Restricted Global Notes (including the Dealers and subsequent transferees) that are located in the United States or that are U.S. persons as defined for purposes of Regulation S are “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act at the time of their purchase of such securities. We will establish a reasonable belief for purposes of Section 3(c)(7) based upon (i) the

representations deemed made by the purchasers of the securities as set forth in these transfer restrictions, (ii) the legends included in our Notes and (iii) the procedures and restrictions referred to below.

Deemed Representations of Holders of Restricted Global Notes

Each purchaser of our Restricted Global Notes in this offering, as well as any person who acquires such Restricted Global Notes in the future (each, a “purchaser”), that is in the U.S. or is a U.S. person as defined for purposes of Regulation S (including the registered holders and beneficial owners of the Restricted Global Notes) will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser (i) is a “*qualified institutional buyer*” as defined in Rule 144A of the Securities Act; (ii) is aware that the sale of the Restricted Global Notes to it is being made in reliance on an exemption from the registration requirements of the Securities Act and (iii) is acquiring such Restricted Global Notes for its own account or the account of one or more qualified institutional buyers;
2. the purchaser (i) is a “*qualified purchaser*” within the meaning of Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder, which term generally includes (a) any natural person (including any person who holds a joint, community property, or other similar shared ownership interest in an issuer that is exempt from registration under Section 3(c)(7) of the Investment Company Act with that person’s qualified purchaser spouse) who owns not less than US\$5,000,000 in investments, as defined by the SEC; (b) any company that owns not less than US\$5,000,000 in investments and that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons; (c) any trust that is not covered by clause (b) and that was not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (a), (b), or (d); or (d) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than US\$25,000,000 in investments; (ii) is aware that we will not be registered under the Investment Company Act in reliance on the exemption set forth in Section 3(c)(7) thereof and that the Restricted Global Notes have not been and will not be registered under the Securities Act and (iii) is acquiring such Restricted Global Notes for its own account or the account of one or more qualified purchasers as to which the purchaser exercises sole investment discretion, as the case may be;
3. the purchaser is not a broker-dealer that owns and invests on a discretionary basis less than US\$25,000,000 in securities of unaffiliated issuers;
4. either (i) the purchaser is not and for so long as it holds the Restricted Global Notes (or any interest therein) will not be (and is not acquiring the Restricted Global Notes or any interest therein directly or indirectly with the assets of a person who is or while the Restricted Global Notes or any interest therein are held will be) a Plan, or (ii) the purchaser’s acquisition and holding of the Restricted Global Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law;
5. each purchaser of the Restricted Global Notes (including any interest in such a Note) that is a Plan (or using the assets of a Plan) by acceptance of a Restricted Global Note (including any interest in such a Note), will be deemed to have represented and warranted that none of the Issuer, any Dealer or their respective affiliates (the “Transaction Parties”) has or will have investment discretion or renders investment advice (for a fee or other compensation) with respect to an investment in the Notes using such assets, and none of the Transaction Parties are or will be a fiduciary with respect to the purchaser’s decisions with respect to investing in Notes;
6. the purchaser is not purchasing the Restricted Global Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act;
7. the purchaser was not formed for the purpose of investing in us;

8. the purchaser understands that we may receive a list of participants holding positions in the Notes;
9. the purchaser will not engage in hedging or short-selling or place simultaneous sell and buy orders or engage in similar kinds of transactions involving Restricted Global Notes that have the purpose or effect of evading the applicable restrictions on resale;
10. neither the purchaser nor any account for which the purchaser is acquiring the Restricted Global Notes will hold such Restricted Global Notes for the benefit of any other person and the purchaser and each such account will be the sole beneficial owners thereof for all purposes and will not sell participation interests in the Restricted Global Notes or enter into any other arrangement pursuant to which any other person will be entitled to an interest in the distributions on the Restricted Global Notes;
11. the Restricted Global Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act. The Restricted Global Notes have not been and will not be registered under the Securities Act and we have not been and will not be registered under the Investment Company Act and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Restricted Global Notes, such Restricted Global Notes may be offered, resold, pledged or otherwise transferred only to a person who the purchaser reasonably believes can make the representations set forth herein or in “—Deemed Representations of Holders of Unrestricted Global Notes”;
12. in the event that we or the Transfer Agent determine in good faith that a holder or beneficial owner of the Restricted Global Notes is in breach, at the time given, of any of the representations or agreements set forth above, we or the Transfer Agent may require such holder or beneficial owner to transfer such Restricted Global Notes or beneficial interests therein to a transferee acceptable to us as set forth under “Forced Sale of Securities”; pending such transfer, the holder will be deemed not to be the holder of such Restricted Global Notes for any purpose, and such holder will be deemed to have no interest whatsoever in such Restricted Global Notes except as otherwise required to redeem or sell its interest therein; and
13. the purchaser understands that the Restricted Global Notes offered in reliance on Rule 144A will be represented by either a DTC Restricted Global Note or a European Restricted Global Note. Before any interest in the DTC Restricted Global Note or European Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Restricted Global Note, the European Restricted Global Note, the DTC Unrestricted Global Note or the European Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Deemed Representations of Holders of Unrestricted Global Notes

Each purchaser (as defined above) of our Unrestricted Global Notes in this offering, as well as any person who acquires such Unrestricted Global Notes in the future (including the registered holders and beneficial owners of the Unrestricted Global Notes), will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser is a person who, at the time the buy order for the Unrestricted Global Notes was originated, was outside the United States and was not a “U.S. person” (and was not purchasing for the account or benefit of a “U.S. person”) as defined in Regulation S;
2. the purchaser understands that we may receive a list of participants holding positions in the Notes;
3. the purchaser will not engage in hedging or short-selling or place simultaneous sell and buy orders or engage in similar kinds of transactions involving Unrestricted Global Notes that have the purpose or effect of evading the applicable restrictions on resale;
4. either (i) the purchaser is not and for so long as it holds the Unrestricted Global Notes (or any interest therein) will not be (and is not acquiring the Unrestricted Global Notes or any interest therein directly or indirectly with the assets of a person who is or while the Unrestricted Global Notes or any interest therein are held will be) a Plan, or (ii) the purchaser’s acquisition and holding of the Unrestricted Global Notes (or

any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law;

5. each purchaser of the Unrestricted Global Notes (including any interest in such a Note) that is a Plan (or using the assets of a Plan) by acceptance of an Unrestricted Global Note (including any interest in such a Note), will be deemed to have represented and warranted that none of the Issuer, any Dealer or their respective affiliates (the “Transaction Parties”) has or will have investment discretion or renders investment advice (for a fee or other compensation) with respect to an investment in the Notes using such assets, and none of the Transaction Parties are or will be a fiduciary with respect to the purchaser’s decisions with respect to investing in such Notes;
6. the Unrestricted Global Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act. The Unrestricted Global Notes have not been and will not be registered under the Securities Act and we have not been and will not be registered under the Investment Company Act and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Unrestricted Global Notes, such Unrestricted Global Notes may be offered, resold, pledged or otherwise transferred only to a person who the purchaser reasonably believes can make the representations set forth herein or in “—Deemed Representations of Holders of Restricted Global Notes”;
7. in the event that we or the Transfer Agent determine in good faith that a holder or beneficial owner of the Unrestricted Global Notes is in breach of any of the representations or agreements set forth above, we or the Transfer Agent may require such holder or beneficial owner to transfer such Unrestricted Global Notes or beneficial interests therein to a transferee acceptable to us, as set forth under “Forced Sale of Securities”; pending such transfer, the holder will be deemed not to be the holder of such Unrestricted Global Notes for any purpose, and such holder will be deemed to have no interest whatsoever in such Unrestricted Global Notes except as otherwise required to redeem or sell its interest therein; and
8. the purchaser understands that the Unrestricted Global Notes offered in reliance on Regulation S will be represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the DTC Unrestricted Global Note or the European Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note, the European Unrestricted Global Note, the DTC Restricted Global Note or the European Restricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Legends

Each purchaser (including the registered holders and beneficial owners of the Notes as they exist from time to time, including as a result of transfers, in each case as of the time of purchase) of Restricted Global Notes within the United States pursuant to Rule 144A and Section 3(c)(7) by accepting delivery of this Offering Memorandum, understands that such Restricted Global Notes, unless we determine otherwise in compliance with applicable law, will bear a legend to the following effect:

THE ISSUER OF THIS NOTE IS NOT, AND WILL NOT BE, REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR THE INVESTMENT COMPANY ACT, AND THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, OR THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT, AS AMENDED, OR RULE 144A, TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS BOTH A QUALIFIED INSTITUTIONAL BUYER, OR A QIB, WITHIN THE MEANING OF RULE 144A, AND A QUALIFIED PURCHASER, OR A QP, WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT THAT (I) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS

THAN US\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (II) IS NOT ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB THAT IS A QP, IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATION FOR THE NOTES FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, (III) WAS NOT FORMED FOR PURPOSES OF INVESTING IN US, AND (IV) WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), PROVIDED, HOWEVER, THAT IF ANY HOLDER OR BENEFICIAL OWNER OF THIS NOTE IS A U.S. PERSON, SUCH HOLDER OR BENEFICIAL OWNER IS A QP, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO US, THE TRANSFER AGENT OR ANY INTERMEDIARY.

BY ITS ACQUISITION AND HOLDING OF THIS NOTE (INCLUDING ANY INTEREST HEREIN), THE ACQUIROR WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THIS NOTE OR ANY INTEREST HEREIN DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE OR ANY INTEREST HEREIN IS HELD WILL BE) (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR ERISA), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A NON-U.S., GOVERNMENTAL OR CHURCH PLAN THAT IS NOT SUBJECT TO SUCH PROVISIONS OF ERISA OR THE CODE BUT WHICH IS SUBJECT TO THE PROVISIONS OF ANY NON-U.S. OR U.S. FEDERAL, STATE, OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A SIMILAR LAW, OR (IV) AN ENTITY OR ACCOUNT WHOSE ASSETS ARE DEEMED TO BE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN SUBJECT TO ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, OR (B) ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW.

EACH PURCHASER OF THE NOTES (INCLUDING ANY INTEREST HEREIN) THAT IS (1) AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE ERISA, (2) A PLAN OR ACCOUNT SUBJECT TO SECTION 4975 OF THE CODE OR (3) AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ACCOUNT, BY ACCEPTANCE OF A NOTE, WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT NONE OF THE ISSUER, ANY DEALER OR THEIR RESPECTIVE AFFILIATES (THE "TRANSACTION PARTIES") HAS OR WILL HAVE INVESTMENT DISCRETION OR RENDERS INVESTMENT ADVICE (FOR A FEE OR OTHER COMPENSATION) WITH RESPECT TO AN INVESTMENT IN NOTES USING

SUCH ASSETS, AND NONE OF THE TRANSACTION PARTIES ARE OR WILL BE A FIDUCIARY WITH RESPECT TO THE PURCHASER'S DECISIONS WITH RESPECT TO INVESTING IN NOTES.

Each purchaser of Unrestricted Global Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Global Notes in resales, by accepting delivery of this Offering Memorandum and the Notes, understands that such Unrestricted Global Notes, unless otherwise determined by us in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, OR THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

BY ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE ACQUIROR WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (A) EITHER (1) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THIS NOTE OR ANY INTEREST HEREIN DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE OR ANY INTEREST HEREIN IS HELD WILL BE) (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR ERISA), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A NON-U.S., GOVERNMENTAL OR CHURCH PLAN THAT IS NOT SUBJECT TO SUCH PROVISIONS OF ERISA OR THE CODE BUT WHICH IS SUBJECT TO THE PROVISIONS OF ANY NON-U.S. OR U.S. FEDERAL, STATE, OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A SIMILAR LAW, OR (IV) AN ENTITY OR ACCOUNT WHOSE ASSETS ARE DEEMED TO BE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN SUBJECT TO ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, OR (2) ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW, AND (B) IT IS A QUALIFIED PURCHASER (A "QP") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR IT IS PURCHASING OR HOLDING THE NOTE FOR THE ACCOUNTS OF A QP. ANY PERSON ACQUIRING THIS NOTE (OR ANY INTEREST HEREIN) WITH THE ASSETS OF ANY SUCH PLAN, ENTITY OR ACCOUNT WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT NEITHER THE ISSUER NOR ANY AFFILIATE HAS INVESTMENT DISCRETION OR RENDERS INVESTMENT ADVICE (FOR A FEE OR OTHER COMPENSATION) WITH RESPECT TO SUCH ASSETS.

EACH PURCHASER OF THE NOTES (INCLUDING ANY INTEREST HEREIN) THAT IS (1) AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE ERISA, (2) A PLAN OR ACCOUNT SUBJECT TO SECTION 4975 OF THE CODE OR (3) AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ACCOUNT, BY ACCEPTANCE OF A NOTE, WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT NONE OF THE ISSUER, ANY DEALER OR THEIR RESPECTIVE AFFILIATES (THE "TRANSACTION PARTIES") HAS OR WILL HAVE INVESTMENT DISCRETION OR RENDERS INVESTMENT ADVICE (FOR A FEE OR OTHER COMPENSATION) WITH RESPECT TO AN INVESTMENT IN NOTES USING

SUCH ASSETS, AND NONE OF THE TRANSACTION PARTIES ARE OR WILL BE A FIDUCIARY WITH RESPECT TO THE PURCHASER'S DECISIONS WITH RESPECT TO INVESTING IN NOTES.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO US, THE TRANSFER AGENT OR ANY INTERMEDIARY.

Forced Sale of Securities

The purchaser agrees that in the event that we or the Transfer Agent determine in good faith that a holder or beneficial owner of the Notes is in breach, at the time given, of any of the representations or agreements set forth above, we or the Transfer Agent, as the case may be, may require such acquirer or beneficial owner to transfer such Notes or beneficial interests therein to a transferee acceptable to us who is able to and who does make all of the representations and agreements set forth in these transfer restrictions.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco BTG Pactual S.A. as of and for the years ended December 31, 2018, 2017 and 2016 included elsewhere in this Offering Memorandum have been audited by Ernst & Young Auditores Independientes S.S., independent auditors, as stated in their reports appearing herein.

With respect to the unaudited interim consolidated financial statements of Banco BTG Pactual S.A. as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018, included in this Offering Memorandum, Ernst & Young Auditores Independientes S.S., independent auditors, reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 12, 2019 included in this Offering Memorandum, states that they did not audit and do not express an opinion on the interim consolidated financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

LEGAL MATTERS

The validity of the Notes will be passed upon for the Dealers by Shearman & Sterling LLP, English legal advisers and special United States counsel to the Dealers. The validity of the Notes will also be passed upon for the Issuer by Skadden, Arps, Slate, Meagher & Flom (UK) LLP, English legal adviser to the Issuer and Skadden, Arps, Slate, Meagher & Flom LLP, special United States counsel to the Issuer. The validity of the issuance of the Notes and certain other matters in connection with Brazilian law will also be passed upon for the Issuer by Campos Mello Advogados and for the Dealers by Machado, Meyer, Sendacz e Opice Advogados. Ogier will pass upon certain matters of Cayman Islands law relating to the Notes for the Issuer.

GENERAL INFORMATION

1. The Bearer Notes and Registered Notes represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for each Bearer Series of Notes, together with the relevant ISIN number and the CUSIP and/or CINS numbers for each Tranche of Registered Notes, will be contained in the Final Terms relating thereto. In addition, we will make an application with respect to any Restricted Notes of a Registered Series that they be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of such Tranche of a Registered Series will be confirmed in the applicable Final Terms.
2. All consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Brazil have been given for the establishment of the Programme, the issue of Notes under the Programme and the execution of the Agency Agreement and Trust Deed and are in full force and effect, except for the (i) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*), or ROF, on the System of Information of the Central Bank for the issue of any series of Notes by the Issuer, acting through its principal office in Brazil, which shall be obtained prior to any such issuance, (ii) Schedule of Payments in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil, and (iii) further authorization from the Central Bank required to enable us to remit payments abroad in foreign currency under any series of Notes other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF.
3. The establishment of the Programme was authorized by a resolution of our board of executive officers passed on June 14, 2011, and the increase of our Programme limit to US\$5,000,000,000 was authorized by resolution of our board of executive officers on April 29, 2015. We have obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes.
4. Except as disclosed herein, neither we nor any of our subsidiaries is involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, any significant effect on our financial position or profitability nor, so far as we are aware, are any such governmental, legal or arbitration proceedings pending or threatened.
5. Save as disclosed herein, there has been no significant change in our financial or trading position or the financial or trading position of us and our subsidiaries and affiliates taken as a whole since our most recently published annual audited financial statements included elsewhere in this Offering Memorandum, and no material adverse change in our prospects since the date of our most recently published annual audited consolidated financial statements. Our interim consolidated financial statements are published quarterly and can be accessed on our investor relations website at the following address: <http://ir.btgpactual.com/>. Our quarterly financial statements have been included elsewhere in this Offering Memorandum and will be available free of charge at the office of the Paying Agent.
6. We are a *sociedade por ações* duly incorporated on January 18, 1979 under the laws of Brazil with an indefinite term of duration. Our registered office in Brazil and principal administrative establishment is located at Praia de Botafogo, 501, 5^o e 6^o andares, Rio de Janeiro, RJ–22250-040, Brazil. The registered office of our Cayman Islands Branch is located at PO Box 1353, Harbour Place, 103 South Church Street, Grand Cayman KY1-1108, Cayman Islands. None of our directors and executive officers ourselves are residents of the United States, nor are we a resident of the United States, and all or a substantial portion of our assets and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against any of them in United States courts judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.
7. The Legal Entity Identifier for the Issuer is ZXLTQRYIK6IJH3R0IK66.
8. For so long as the Programme remains in effect or any Notes shall be outstanding, physical copies of the following documents may be inspected and obtained during normal business hours (i) at the specified

offices of any Paying Agent or Transfer Agent; (ii) at the registered office of Banco BTG Pactual S.A. in São Paulo, Brazil; and (iii) if the Notes were issued through our Cayman Islands Branch and are outstanding, at the registered office of our Cayman Islands Branch.

- (a) the constitutive documents of Banco BTG Pactual S.A.;
 - (b) the Offering Memorandum and any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent, Transfer Agent or the Issuer, as the case may be, as to its holding of Notes and identity);
 - (c) the Agency Agreement;
 - (d) the Trust Deed;
 - (e) the Dealer Agreement; and
 - (f) our most recent publicly available audited consolidated annual financial statements, beginning with the financial statements for the years ended December 31, 2018, 2017 and 2016.
9. In addition, copies of the items listed above will be provided free of charge at the Specified Offices of the Paying Agents and Transfer Agents. Application has been made for the Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market. However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or any other stock exchange, listing authority and/or quotation system or which will be listed on such stock exchange, listing authority and/or quotation system as the relevant Dealer(s) and ourselves may agree.

ANNEX A: PRINCIPAL DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS

We maintain our books and records in *reais*, the official currency of Brazil, and prepare our consolidated financial statements for regulatory purposes in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (“Brazilian GAAP”), which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 8,021/90, Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Brazilian Law No. 11,638/07 and Brazilian Law No. 11,941/09 (the “Brazilian Corporations Law”); and the accounting standards established by the Standard Chart of Accounts for Financial Institutions (Plano Contábil das Instituições do Sistema Financeiro Nacional) (“COSIF”), the Central Bank and the CMN.
- Brazilian Law No. 11,638/07 and Brazilian Law No. 11,941/09 amended the Brazilian Corporations Law and introduced the process of conversion of financial statements into International Financial Reporting Standards (“IFRS”). However, the Central Bank did not fully adopt, as part of the accounting practices applicable to financial institutions, the provisions of Brazilian Law No. 11,638. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements in accordance with IFRS as originally issued by IASB and that are effective as of December 31, 2011. We are not including or incorporating by reference in this Offering Memorandum our supplemental financial statements prepared in accordance with IFRS.

There are certain differences between the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS (which incorporates existing International Financial Reporting Standards, IAS, as well as IFRIC and SIC interpretations) which may be relevant to the financial information presented herein. This section makes no attempt to identify or quantify the impact of these differences, nor can we give you any assurances that all differences have been identified. The following is a summary of certain differences; however, this summary does not purport to be complete and should not be construed as exhaustive.

In reading this summary, prospective investors in the Notes should also have regard to the considerations:

This summary includes differences between accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS as of December 31, 2018. Differences resulting from changes in accounting standards that will become effective after December 31, 2018 have not been considered in this summary.

Differences among accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any future events, ongoing work and decisions of the regulatory bodies that promulgate accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS that could affect future comparisons among accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS. The current differences disclosed in this summary are not intended to be complete and are subject to, and qualified in their entirety by, reference to the respective pronouncements of Brazilian professional accounting bodies and those of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

As differences among accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS may be significant to the financial position or results of operations of the Bank, prospective investors unfamiliar with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank should consult their own professional advisors for an understanding of the differences between accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS and how those differences might impact the financial information presented herein.

Unlike IFRS, under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, there are no specific principles relating to certain matters such as business combinations and financial instruments.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

Foreign Currency Translation

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, the financial statements of subsidiaries operating in non-hyper inflationary currency environments are translated using the current exchange rate. Financial statements presented in hyper inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken to the income statement until the year ended December 31, 2016. From January 1, 2017, the assets and liabilities are translated using the closing (year-end) rate. Amounts in the income statement are translated using the average rate for the accounting period and the difference for the end of period rate is reported in equity (under the caption “asset valuation adjustment”).

Under IFRS, when translating financial statements into a different presentation currency (for example, for consolidation purposes), IFRS requires the assets and liabilities to be translated using the closing (year-end) rate. Amounts in the income statement are translated using the average rate for the accounting period if the exchange rates do not fluctuate significantly. Any translation differences are reported in equity (other comprehensive income).

Consolidation

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, financial statements should consolidate the following entities: (a) entities on which the company has voting rights that provides it with the ability to have the majority on the social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by shareholders agreements irrespective of the participation in voting stock. Joint ventures, including investees in which the company exerts significant influence through its participation in a shareholders’ agreement in which such group controls the investee, can be accounted for under the equity pick-up method.

Under IFRS, the condition for consolidation is to have control, which is defined as the parent’s ability to govern the financial and operating policies of an entity to obtain benefits. Control is generally presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity, and potential voting rights must be considered. Notion of “de facto control” also may be considered. The standard also requires the effects of all transactions that result in decreases in ownership interest in a subsidiary without a loss of control are accounted for as equity transactions in the consolidated entity (that is, no gain or loss is recognized). For transactions that result in a loss of control of a subsidiary or a group of assets, any retained noncontrolling investment in the former subsidiary or group of assets is re-measured to fair value on the date control is lost, with the gain or loss included in income along with any gain or loss on the ownership interest sold.

Under IFRS, joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions regarding the activities require unanimous consent of the members of the joint venture. IFRS 11 does not permit the proportionate consolidation method of accounting for interests in jointly controlled entities. The fair value option is not available to investors (other than venture capital organizations, mutual funds, unit trusts, and similar entities) to account for their investments in jointly controlled entities.

Under IFRS, specific guidance, is provided with respect to the consolidation of SPEs. A SPE may be created to accomplish a narrow and well-defined objective. Such a special purpose entity may take the form of a corporation, trust, partnership or unincorporated entity and are often created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management.

The sponsor frequently transfers assets to the SPE, obtains rights to use assets held by the SPE or performs services for the SPE, while other parties may provide funding. An entity that engages in transactions with the SPE (frequently creator or sponsor) may in substance control the SPE.

SPEs shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

Beginning on January 1, 2013, IFRS 10 Consolidated Financial Statements (“IFRS 10”) became effective and consolidated in one single guidance the consolidation principles. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; Thus, the principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor’s returns.

IFRS 10 also requires an investor to reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Unlike IFRS 10, under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, there are no exceptions related to the investment entity concept.

Business Combinations, Purchase Accounting and Goodwill

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed 10 years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses.

Under IFRS 3 (Revised), Business Combinations requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method – the acquisition method.

Under IFRS 3 (Revised), the acquiring company records identifiable assets and liabilities acquired at their fair values. The shares issued in exchange for shares of other companies are accounted for at fair value based on the market price. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed.

In addition, IFRS 3 (Revised) sets out more detailed guidelines as to the recognition of “intangible assets.” Under IFRS 3 and IAS 38, “Goodwill and Other Intangible Assets,” goodwill and other intangible assets with indefinite lives are no longer amortized. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value.

Under IFRS 3 (Revised) negative goodwill will be recognized as a gain in the statement of operations. Finite lived intangible assets are generally amortized on a straight-line basis over the estimated period benefited. The intangible asset related to client deposit and relationship portfolios is recorded and amortized over a period in which the asset is expected to contribute directly or indirectly to the future cash flows.

Accounting for Guarantees by a Guarantor

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognized in income over the period of the guarantee. When the guaranteed party has not honored its commitments and the guarantor should assume a liability, a credit is recognized against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under IFRS, certain financial guarantees may be accounted for as insurance contracts if certain conditions are met. Otherwise, the guidance in IFRS 9 applies: (i) record guarantee contracts at fair value upon initial recognition and (ii) subsequent measurement of the higher of the amount of expenditure needed to settle the obligation (measured under IAS 37) and the amount initially recognized less cumulative amortization, when appropriate, under IAS 18.

Securities

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, securities are classified based on the investment strategy of the financial institution as either trading securities, available for sale or held to maturity and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available for sale securities is directly in shareholders' equity. The rules to account for securities are stated more generally and are less comprehensive than the standards to account for securities under IFRS.

Under IFRS, financial assets including debt and equity securities can be categorized and accounted for as follows:

- financial assets at amortized cost: used when financial assets are managed to obtain contractual cash flows, consisting only of payments of principal and interest;
- financial assets at fair value through other comprehensive income: used when financial assets are held to obtain contractual cash flows, consisting only of principal and interest payments, and for sale; and
- financial assets at fair value through profit or loss: used for financial assets that do not meet the criteria described above. Derivatives and financial assets held for trading are recorded in this category.

For example, under accounting practices adopted in Brazil, debentures (a commonly traded security in Brazil which represents a credit against the issuer to the owner in certain terms defined) must be registered in the securities group of the balance sheet. This is different from the IFRS classification. Under IFRS rules, due to the essence of the operation being a form of credit to the issuer, the buyer of the debenture (creditor) must register it as a loan to a third party and therefore perform impairment tests under IFRS rules.

Comprehensive Income

Accounting Practices Adopted in Brazil do not have the concept of comprehensive income. Also, as under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, statutory reserves are required to appropriate 5% of the annual local currency earnings, after absorbing accumulated losses, to a legal reserve, which is restricted to distribution. The reserve may be used to increase capital or absorb losses but may not be distributed as dividends. Any income remaining after the distribution of dividends on the statutory records and appropriations to statutory reserves is transferred to the reserve for future investments. Such reserve may be distributed in the form of dividends upon approval of the shareholders. There are no similar provisions for IFRS.

Under IFRS, a statement of recognized income and expenses can be presented including net income as well as other items of income and expense recognized directly in equity such as: (i) fair value gains (losses) on lands and buildings, intangible assets, available for sale investments and certain financial instruments, (ii) foreign exchange

translation differences, (iii) the cumulative effect of a change in accounting policy, and (iv) change in fair value on certain financial instruments if designated as cash flow hedges or net investment hedges.

Financial Derivative Instruments

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, for periods from June 30, 2002, the accounting practices prescribed by the Brazilian Corporate Law specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions. According to the accounting practices established by the Central Bank, derivative financial instruments are classified based on management's intention to use them for hedging or non-hedging purposes.

Transactions involving derivative financial instruments to meet customer needs or for own purposes that did not meet hedge accounting criteria established by the Central Bank and primary derivatives used to manage the overall exposures are accounted for at fair value with unrealized gains and losses recognized currently in earnings. Deliverable forward and foreign exchange contracts also have specific accounting procedures set by the Central Bank that differs from IFRS accounting. Under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, these operations are registered gross, which means that the long and the short positions of the trade needs to be registered. Under IFRS, these are netted and presented only the gain or loss in the operation.

Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

- Fair value hedge. The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and
- Cash flow hedge and net investment hedge. The effective hedge portion of the derivatives is accounted for at fair value and unrealized gains and losses recorded as a separate component of shareholders' equity, net of applicable taxes. The non-effective hedge portion is recognized currently in earnings.

IFRS 9 "Financial Instruments" requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income.

Certain robust conditions including specified documentation requirements must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either: (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income; or (ii) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income.

Loan Accounting and Disclosure

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, loans are generally carried at cost. Until March 31, 2000 when changes were introduced by the Central Bank, loans were classified as overdue or doubtful based on the extent to which they were secured and the length of time for which payments were in arrears. Specific minimum allowances were required based on whether they were unsecured or not and the time overdue. As from March 31, 2000, loans should be categorized in 9 categories and the minimum allowance is determined by applying specific percentages to the loans in each category.

Loans are classified in accordance with management's judgment of the risk level, taking into account the economic situation, past experience and specific risks in relation to the transactions, the debtors and the guarantors, complying with the parameters established by CMN Resolution No. 2,682 of December 21, 1999, as amended,

which requires periodic analysis of the portfolio and its classification, by risk level, in 9 categories between AA (minimum risk) and H (maximum risk – loss). The minimum allowance is determined by applying specific percentages to the loans in each category.

Income from credit operations overdue for more than 60 days, independent from their risk level, is only recognized as revenue when effectively received. Operations classified as level H remain in such classification for nine months, after which time the loan is charged against the existing allowance and remain controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

At a minimum, renegotiated loans are maintained at the same level at which they were classified prior to renegotiation. Renegotiated credit operations, which had already been charged against the allowance for loan losses and were in memorandum accounts, are classified as level H and any eventual gains resulting from the renegotiation of loans previously charged off are recognized as revenue on a cash basis.

Under IFRS, according to IFRS 9 “Financial Instruments,” loans and receivables are defined as financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at amortized cost.

According to IFRS 9, in the initial recognition of a debt instrument, Banco BTG Pactual must realize the projections of any expected losses in a 12-month period and recognize them as a provision, although no actual loss has yet materialized. If the Company anticipates a significant deterioration in the credit quality of its counterparties, it must recognize a provision equal to the amount of all expected losses in the life of the financial instrument, not only in the subsequent 12 months.

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

- financial assets that have not been reduced to their recoverable value at the reporting date: according to the present value of all cash disbursements (for example, the difference between the cash flow due to entity according to the contract and the cash flow which the company expects to receive);
- financial assets were reduced to their recoverable value at the reporting date: according to the difference between gross corrected cost and the present value of the future cash flow;
- unearned loan commitments: according to the present value of the difference between the contractual cash flow that is due to the company if the commitment is received and the cash flow that the company expects to receive; and
- financial guarantee contracts: according to the estimated payments to reimburse the security holders that the company expects to recover. If a credit event occurs, despite considering the expected losses over the entire life of the financial instrument, the Company must also recognize the income from interest payments on the amount charged, which means that the provision must be accounted for in the recognition of the payment of interest.

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

- a significant drop in the fair value of a financial instrument during an extended period;
- failure to comply with contractual terms for late payment of interest or principal;
- deterioration in payment capacity and operational performance;
- noncompliance with covenants;
- significant change in the performance of the market in which the counterparty operates; and
- the reduced liquidity of the financial asset due to the financial difficulties of the borrower.

In the case of losses due to the impairment of the debt instruments designated at fair value through other comprehensive income, they are reclassified from other comprehensive income to the statement of income, as “accumulated impairment losses recoverable”. If in the years subsequent to the recognition of the loss the fair value of the asset is higher than the amount charged, the loss previously incurred will be reversed in the result.

Income Taxes

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, the methods adopted for the recording of income taxes are similar to IFRS but their practical application may lead to different results in certain circumstances. The recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgment. In general, tax credits are recognized when there is evidence of future realization in a continuous operation, and potential effects of Provisional Measures enacted by the Brazilian Government are evaluated and the effects of increases in enacted tax rates on deferred taxes may not be integrally recognized if the related legislation is being questioned. On December 30, 2002, the Central Bank issued Central Bank Circular No. 3,171, as amended, which revoked Central Bank Circular No. 2,746, that: (i) requires specific supporting analysis to recognize deferred tax assets; (ii) requires as a condition to recognize deferred tax assets a history of profitability presenting taxable income in three out of five fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realized in more than 5 years as from the reporting date. On March 31, 2006, Resolution No. 3,355 changed the period from 5 to 10 years for the realization of such tax credit.

Under IFRS, the liability method is used to calculate the income tax provision, as specified in IAS 12, “Income Taxes.” Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted or substantially enacted tax rate of income taxes. Net operating loss carry forwards arising from tax losses are recognized as assets. The deferred tax asset shall be recognized to the extent that it is probable that future taxable profit will realize such deferred tax asset.

Dividends and Interest Attributable to Shareholders’ Equity

Subject to certain limitations, accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank permits companies to distribute or capitalize an amount of interest on shareholders’ equity based on the TJLP. Such amounts are deductible for tax purposes and are presented as a direct reduction of shareholders’ equity. By the end of the year, management is required to propose payment of dividends in those years which realize a profit, unless such profit has been absorbed by any accumulated losses. The entire proposed amount is accounted for as a liability at the balance sheet date.

Under IFRS, both the minimum dividends required by law and/or included in the entity’s bylaws meet the definition of present obligation and, therefore, should be accounted for at the end of the year.

Held for Sale

Non-current Assets Held for Sale and Discontinued Operations: Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, Held for Sale and Discontinued Operations is applicable only for fixed assets not in use anymore or received as a guarantee, that are measured based on independent experts appraisal report and do not require specific disclosure in financials, while in IFRS it is applicable for all assets, that are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the statement of financial position with specific disclosure. In some cases, Banco BTG Pactual adopts this IFRS concept to better reflect the nature and situation of the investment.

Day One Gain and Losses

IFRS 9 and IFRS 13 acknowledge that the best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received), although this will not necessarily be the case in all circumstances. Although IFRS 13 specifies how to measure fair value, IFRS 9 contains restrictions on recognizing differences between the transaction price and the initial fair value as measured under IFRS 13, often called day one profits, which apply in addition to the requirements of IFRS 13.

If an entity determines that the fair value on initial recognition differs from the transaction price, the difference is recognized as a gain or loss only if the fair value is based on a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. Otherwise, the difference is deferred and recognized as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability. Therefore, entities that trade in financial instruments are prevented from immediately recognizing a profit on the initial recognition of many financial instruments that are not quoted in active markets.

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, at initial recognition, if the measurement of fair value of a financial instrument and the transaction price differs, the entity recognizes the resulting gain or loss in profit or loss, with no exceptions, different from IFRS as mentioned above.

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Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

September 30, 2019

with independent auditor's review report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

September 30, 2019

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A free translation from Portuguese into English of the review report on the interim consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and in Reais (R\$).

REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Banco BTG Pactual S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the interim consolidated financial statements of Banco BTG Pactual S.A. (the “Bank”), referred to the period ended in September 30, 2019, which comprise the consolidated balance sheet as of September 30, 2019, the related consolidated statements of income for the three and nine-month periods then ended, and the consolidated statements of changes in shareholders’ equity and cash flows for the nine-month period then ended, and the explanatory notes.

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Emphasis of matters

Foreign subsidiary equity pickup

As mentioned on the interim consolidated financial statements footnote n°13, the Bank holds indirect investments on EFG International (“EFG”) but has no timely access on the financial information of this subsidiary before its financial statements is released. Therefore, the equity pickup is recognized in a period longer than allowed by the rules from the Central Bank of Brazil, as well as any adjustment recorded by EFG will only be considered in a later period by the Bank. Our conclusion is not qualified in respect of this matter.

Tax credits recorded in jointly-controlled subsidiary

As at September 30, 2019, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 2,7 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.

Separate interim financial statements

The Bank has prepared a full set of separate interim financial statements for the nine-month period ended at September 30, 2019 in accordance with 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 November 4th, 2019.

Other matters

Consolidated Statement of value added

The interim consolidated financial statements referred to above included the consolidated statement of value added (SVA), for the nine-month period ended September 30, 2019, prepared under the responsibility of Bank's 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. These consolidated statements were subjected to review procedures executed as a whole with the interim financial statements review, for the purposes of forming our conclusion whether these statements were reconciled with the interim financial information and accounting records, as applicable, and whether their layout and content were presented in accordance with the Accounting Pronouncement NBC TG 09 - *Demonstração do Valor Adicionado*. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added was not prepared fairly, in all material respects, in accordance with the criteria set forth with these standards and is consistent with the interim financial information taken as a whole.

São Paulo, November 4th, 2019.

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 September 30, 2019 and December 31, 2018

(In thousands of reais)

	Note	30/09/2019	31/12/2018
Assets			
Current assets		129,300,398	102,096,050
Cash at banks	6	1,056,632	979,185
Short-term interbank investments	7	32,561,161	43,299,438
Open market investments		30,848,932	40,611,218
Interbank deposits		1,712,229	2,688,220
Securities and derivative financial instruments		36,632,569	26,062,423
Own portfolio	8	22,268,491	14,739,806
Subject to repurchase agreements	8	6,131,926	5,923,584
Subject to unrestricted repurchase agreements	8	372,208	30,823
Derivative financial instruments	9	4,069,750	2,678,010
Subject to guarantees	8	3,790,194	2,690,200
Interbank transactions		1,079,213	1,446,186
Deposits in the Central Bank of Brazil		1,079,213	1,446,186
Loans	10	8,979,761	7,363,671
Loans		9,122,243	7,554,519
Transferred loans with coobligation		290	300
Allowance for loan losses		(142,772)	(191,148)
Other receivables		48,711,052	22,710,490
Foreign exchange portfolio	11	41,772,910	17,425,255
Income receivable	12	655,229	927,264
Securities trading and brokerage	11	4,683,918	3,877,204
Sundry	12	1,837,376	505,344
Allowance for losses on other receivables	10	(238,381)	(24,577)
Other assets		280,010	234,657
Other assets		254,352	265,200
Prepaid expenses		107,556	50,781
Provision for losses on other assets		(81,898)	(81,324)
Long-term-assets		30,307,734	26,353,839
Long-term interbank investments	7	-	197,747
Open market investments		-	197,747
Securities and derivative financial instruments		4,032,838	3,929,281
Own portfolio	8	1,719,943	936,337
Derivative financial instruments	9	1,562,183	1,124,875
Subject to repurchase agreements	8	43,459	583,784
Subject to guarantees	8	707,253	1,284,285
Interbank transactions		160,962	189,446
Restricted credits – National Housing System		160,962	189,446
Loans	10	15,350,598	10,855,889
Loans		16,296,429	11,296,335
Transferred loans with coobligation		2,571	5,218
Allowance for loan losses		(948,402)	(445,664)
Other receivables		10,756,275	11,156,945
Sundry	12	10,756,275	11,475,108
Allowance for losses on other receivables	10	-	(318,163)
Other assets		7,061	24,531
Temporary investments		-	100
Prepaid expenses		7,061	24,431
Permanent assets		8,378,104	9,196,536
Investments		8,087,912	8,884,999
Investments in associates and jointly controlled entities - in Brazil	13	1,953,201	1,996,651
Investments in associates and jointly controlled entities - abroad	13	6,114,953	6,865,936
Other investments		24,957	26,969
Allowance for losses in investments		(5,199)	(4,557)
Property and equipment in use		87,059	79,601
Property in use		5,866	5,473
Other property and equipment in use		298,302	268,834
Accumulated depreciation		(217,109)	(194,706)
Intangible assets	14	203,133	231,936
Other intangible assets		500,353	497,919
Accumulated amortization		(297,220)	(265,983)
Total assets		167,986,236	137,646,425

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at September 30, 2019 and December 31, 2018

(In thousands of reais)

	Note	30/09/2019	31/12/2018
Liabilities			
Current liabilities		111,348,474	87,410,057
Deposits	15	19,469,984	19,343,084
Demand deposits		415,944	287,303
Interbank deposits		312,104	294,814
Time deposits		18,741,936	18,760,967
Open market funding	15	31,296,753	35,183,034
Own portfolio		6,147,407	6,279,037
Third-party portfolio		20,683,521	22,077,242
Free trading portfolio		4,465,825	6,826,755
Funds from securities issued and accepted	15	4,912,734	3,038,973
Real estate, mortgage, credit and similar notes		3,157,260	2,794,574
Securities issued abroad		1,620,142	171,152
Certificates of structured transactions		135,332	73,247
Interbank transactions		4,648	6,804
Unsettled receipts and payments		4,648	6,804
Interdependencies transactions		215,524	74,926
Unsettled third party assets		215,524	74,926
Loans and borrowings	15	1,075,489	1,925,453
Loans abroad		1,049,448	1,823,487
Borrowings in Brazil		26,041	101,966
Derivative financial instruments	9	3,275,397	1,644,030
Derivative financial instruments		3,275,397	1,644,030
Other liabilities		51,097,945	26,193,753
Collection and payments of tax and similar charges		8,357	5,639
Foreign exchange portfolio	11	40,841,296	16,480,025
Social and statutory	16	635,631	1,231,290
Tax and social security	16	733,864	485,211
Securities trading and brokerage	11	5,243,274	5,200,827
Subordinated debt	15	1,404,524	1,667,853
Sundry	16	2,230,999	1,122,908
Long-term liabilities		35,433,982	31,122,733
Deposits	15	1,589,608	1,607,003
Interbank deposits		105,681	83,596
Time deposits		1,483,927	1,523,407
Open market funding	15	244,823	391,952
Third-party portfolio		-	147,110
Free trading portfolio		244,823	244,842
Funds from securities issued and accepted	15	16,357,282	11,357,330
Real estate, mortgage, credit and similar notes		9,733,078	6,611,552
Securities issued abroad		6,543,190	4,641,156
Certificates of structured transactions		81,014	104,622
Loans and borrowings	15	3,175,984	3,044,157
Loans abroad		436,963	358,948
Borrowings in Brazil		2,739,021	2,685,209
Derivative financial instruments	9	1,949,056	1,169,438
Derivative financial instruments		1,949,056	1,169,438
Other liabilities		12,117,229	13,552,853
Tax and social security	16	64,843	309,395
Subordinated debt	15	4,391,968	3,598,303
Debt instrument eligible to capital	15	2,487,766	3,579,529
Sundry	16	5,172,652	6,065,626
Deferred income		178,142	130,030
Non-controlling interest		204,541	138,671
Shareholders' equity	19	20,821,097	18,844,934
Capital		7,392,092	7,392,092
Capital Reserve		652,515	652,515
Asset valuation adjustment		55,304	103,187
Income reserves		10,918,875	10,825,684
Treasury shares		(139,274)	(128,544)
Retained earnings		1,941,585	-
Total Liabilities and Shareholders' equity		167,986,236	137,646,425

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Quarters and nine-month period ended September 30

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

	Note	Quarter ended:		Nine-month period ended:	
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
Financial income		3,515,244	2,389,902	9,149,243	7,208,854
Loans		490,285	384,506	1,347,672	928,164
Securities		1,082,671	1,564,307	4,823,735	4,281,056
Derivative financial instruments		1,916,250	379,689	2,911,882	1,659,317
Foreign Exchange		-	29,894	-	270,913
Mandatory investments		26,038	31,506	65,954	69,404
Financial expenses		(2,598,569)	(1,732,188)	(6,228,911)	(5,475,925)
Funding operations		(986,296)	(1,372,931)	(4,140,772)	(3,532,889)
Borrowing and onlending		(976,410)	(398,090)	(1,382,397)	(1,906,886)
Foreign Exchange		(475,148)	-	(415,163)	-
Allowance for loan losses and other receivables	10	(160,715)	38,833	(290,579)	(36,150)
Net financial income		916,675	657,714	2,920,332	1,732,929
Other operating income (expenses)		522,508	(2,644)	1,118,880	117,029
Income from services rendered	20	825,269	493,028	2,172,596	1,539,556
Personnel expenses		(203,303)	(200,348)	(602,184)	(574,196)
Other administrative expenses	23	(359,806)	(327,759)	(948,975)	(887,998)
Tax charges		(119,056)	(108,735)	(303,070)	(203,168)
Equity earnings of associates and jointly controlled entities	13	392,754	(49,286)	826,488	(71,509)
Other operating income	21	55,697	338,908	251,500	727,912
Other operating expenses	22	(69,047)	(148,452)	(277,475)	(413,568)
Operating income		1,439,183	655,070	4,039,212	1,849,958
Non-operating (expenses) / income		(2,662)	5,342	27,568	141,028
Income before taxation and profit sharing		1,436,521	660,412	4,066,780	1,990,986
Income tax and social contribution	18	(185,652)	39,488	(653,092)	165,513
Provision for income tax		(271,778)	(170,473)	(330,533)	(719,815)
Provision for social contribution		(103,376)	(136,860)	(204,027)	(598,463)
Deferred income tax and social contribution		189,502	346,821	(118,532)	1,483,791
Statutory profit sharing		(253,274)	(108,284)	(761,787)	(338,357)
Non-controlling interest		4,961	(6,115)	(2,749)	(9,810)
Net income for the quarter / period	19	1,002,556	585,501	2,649,152	1,808,332
Weighted average numbers of share outstanding		2,637,236,572	2,778,465,411	2,637,236,572	2,778,465,411
Net income per share - R\$		0.38	0.21	1.00	0.65

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

Nine-month period ended September 30

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

	Note	Income reserves					
		Capital	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,820	6,417,364
Own shares acquired	19b	-	-	-	-	-	-
Interest on equity received by on shares repurchase		-	-	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-
Currency translation adjustments		-	-	-	-	-	-
Foreign Investment hedge		-	-	-	-	-	-
Intermediate interest on equity (R\$0.11 per share)		-	-	300,000	-	-	(300,000)
Changes in accounting practices of associates		-	-	-	-	-	(503,057)
Net income for the period		-	-	-	-	-	-
Net income allocation		-	-	-	-	-	-
Income reserve		-	-	-	11,238	-	-
Intermediate interest on equity (R\$0.22 per share)	19	-	-	-	-	-	-
Balances as at September 30, 2018		<u>7,392,092</u>	<u>652,515</u>	<u>300,000</u>	<u>1,192,745</u>	<u>2,803,820</u>	<u>5,614,307</u>
Balances as at December 31, 2018		7,392,092	652,515	-	1,245,452	2,672,775	6,852,992
Own shares acquired	19	-	-	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-
Currency translation adjustments		-	-	-	-	-	-
Foreign Investment hedge		-	-	-	-	-	-
Intermediate interest on equity (R\$0.10 per share)		-	-	275,000	-	-	(275,000)
Changes in accounting practices of associates		-	-	-	-	-	9,624
Net income for the period		-	-	-	-	-	-
Net income allocation		-	-	-	-	-	-
Income reserve		-	-	-	83,567	-	-
Intermediate interest on equity (R\$0.24 per share)	19	-	-	-	-	-	-
Balances as at September 30, 2019		<u>7,392,092</u>	<u>652,515</u>	<u>275,000</u>	<u>1,329,019</u>	<u>2,672,775</u>	<u>6,587,616</u>

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

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Nine-month period ended September 30

(In thousands of reais)

	Note	30/09/2019	30/09/2018
Operating activities			
Net income for the period		2,649,152	1,808,332
Adjustments to net income		417,731	(378,488)
Equity pick up from associates and jointly controlled entities	13	(826,488)	71,509
Interest expense with subordinated debt		1,088,432	1,062,194
Deferred income tax and social contribution		118,532	(1,483,791)
Permanent assets exchange variation		(6,586)	(71,323)
Depreciation and amortization	23	43,841	42,923
Adjusted net income for the period		3,066,883	1,429,844
(Increase)/decrease in operational activities			
Short-term interbank investments		8,505,742	(8,014,431)
Securities and derivative financial instruments		(8,709,969)	(8,873,539)
Loans		(6,110,800)	(3,937,639)
Other receivables and other assets		(25,736,265)	(2,079,579)
Interbank transactions		393,300	(934,871)
Interdependencies transactions		140,598	57,777
Other liabilities		24,634,494	3,601,898
Deferred income		48,112	16,084
Deposits		109,505	16,434,335
Open market funding		(4,033,410)	22,245,460
Loans and borrowings		(718,137)	642,917
Cash (used in) / provided by operating activities		(8,409,947)	20,588,256
Investing activities			
Sale of other investment		2,654	3,775
Acquisition / sale of equity interests	13	652,202	(346,626)
Dividends and interest on equity received	13	1,367,672	179,367
Acquisition / sale of property		(25,614)	(13,732)
Acquisition / sale of intangible assets	14	9,703	4,210
Cash provided by / (used in) by investing activities		2,006,617	(173,006)
Financing activities			
Acquisition of treasury shares	19b	(10,730)	(187,622)
Funds from securities issued and accepted		6,873,713	3,944,202
Subordinated debt and debt instrument eligible to equity		(1,649,858)	(871,283)
Non-controlling interest		65,870	4,867
Interest on equity	19f	(1,228,500)	(1,201,071)
Cash provided by financing activities		4,050,495	1,689,093
(Decrease) / Increase in cash and cash equivalents		(2,352,835)	22,104,343
Balance of cash and cash equivalents	25		
At the beginning of the period		26,659,250	23,201,005
At the end of the period		24,306,415	45,305,348
(Decrease) / Increase in cash and cash equivalents		(2,352,835)	22,104,343
Non-cash transaction		27,658	(180,580)
Interest on equity		-	(300,000)
Acquisition / Increase/ Transfer of equity interests		-	161,499
Changes in fair value of assets available for sale		27,658	(42,079)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Nine-month period ended September 30

(In thousands of reais)

	Note	30/09/2019	30/09/2018
Income		11,323,432	9,203,782
Financial brokerage		9,149,243	7,208,854
Services rendered	20	2,172,596	1,539,556
Other		1,593	455,372
Expenses		(6,228,911)	(5,475,925)
Financial brokerage		(5,938,332)	(5,439,775)
Allowance for loan losses and other receivables	10	(290,579)	(36,150)
Inputs acquired from third parties		(840,622)	(780,734)
Materials, energy and other		(9,760)	(9,812)
Outsourced services		(830,862)	(770,922)
Gross value added		4,253,899	2,947,123
Depreciation and amortization	23	(43,841)	(42,923)
Net value added produced by the entity		4,210,058	2,904,200
Value added received through transfer		826,488	(71,509)
Equity in the earnings of associates and jointly controlled entities		826,488	(71,509)
Value added to be distributed		5,036,546	2,832,691
Distribution of value added		5,036,546	2,832,691
Personnel		1,363,971	912,553
Direct compensation		1,164,612	743,253
Benefits		127,159	96,454
FGTS – government severance pay fund		72,200	71,988
Other		-	858
Taxes, fees and contributions		956,163	37,654
Federal		878,432	(88,287)
Municipal		77,731	125,941
Remuneration of third party capital		64,511	64,342
Rent expenses		64,511	64,342
Remuneration of shareholders		2,651,901	1,818,142
Retained earnings		2,025,152	1,216,237
Interest on equity		624,000	592,095
Non-controlling interest		2,749	9,810

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
September 30, 2019
(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 relating to commercial, including exchange, investment portfolios, credit, financing, leasing, insurance and real estate loans.

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 have units listing on B3 S.A. in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of 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.

2. Corporate reorganization and acquisitions

Corporate events

On September 30, 2019, the Bank issued, through its Cayman Islands branch, an Equity Linked Note to BTG Pactual Holding S.A. ("Holding"), currently 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 to the actual transfer of the participation on the EFG to the Holding is being analyzed by applicable regulators.

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 BTG Pactual Holding S.A. ("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).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

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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 the Bank's total shares.

On October 26, 2018, BTG Pactual concluded a corporate reorganization through which 1,502,975,267 common shares and 449,356,340 Class B preferred shares of its issuance and held by BTG Pactual Holding S.A. - current direct controlling shareholder of the Bank - were contributed to the capital of BTG Pactual Holding Financeira Ltda., a company in which BTG Pactual Holding S.A. holds approximately 99.9% of the quotas representing its share capital, and whose corporate purpose is exclusively the equity interest in financial institutions and other institutions authorized by the Central Bank of Brazil.

The corporate reorganization aims to align BTG Pactual Holding S.A. structure, as provided for in applicable legislation, and did not entail any change in its participation in the Bank.

On November 2017, Banco Pan S.A. approved a capital increase in the amount of R\$400 million. Caixa Participações S.A. ("CaixaPar") assigned to the Bank its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on February, 2018.

On April 20, 2018, Banco Pan SA informed its shareholders and the market in general that the capital increase of the company authorized by its Board of Directors was approved by the Central Bank of Brazil on February 7, 2018. After the capital increase, BTG Pactual now holds approximately 577,662 shares issued by Banco Pan SA, corresponding to 50.6% of its Capital Stock.

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. Due to the Banco Pan's primary and secondary public offering (of shares), the Bank's participation was diluted to 39.5%.

Acquisitions and disposals

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 ("FGC") regarding the the Banco Pan S.A. acquisition.

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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, of which is conditioned to the regulator's approval.

On July 19, 2019, the Bank acquired 80% of interest on Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A., which will be maintained as a independent platform of BTG Pactual. The closing of the transaction is subject to verification of certain precedent conditions, including obtaining all necessary regulatory approvals, including from BACEN.

After the issuance of EFG International ("EFG") financial statements for the year ended December 31, 2017, on February 27, 2018, BTG Pactual became aware of EFG decision to change its accounting practices to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, the EFG recognized a reduction in its shareholders' equity corresponding to CHF493.9 million, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R\$503 million as a reduction of the Statutory Reserve.

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 financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE), except Novaportfólio.

The preparation of the 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 record 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 the fair value measurement of 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 and its subsidiaries periodically review these estimates and assumptions.

The consolidated financial statements were approved by the Bank's management on November 4, 2019, 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.

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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 investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. 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:

		Equity interest - %	
	Country	30/09/2019	31/12/2018
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
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	72.09	75.54
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual Cayman International Holding Limited	Cayman	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.11	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
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
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 Pactual Asia Limited	Hong Kong	-	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

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	Country	Equity interest - %	
		30/09/2019	31/12/2018
BTG Pactual Chile S.A. Compañía de Seguros de Vida	Chile	100.00	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	99.70	99.70
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	99.70	99.70
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	-
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
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
Newco SEG Holding S.A.	Brazil	-	100.00
TTG Forestry Services LLC	USA	100.00	100.00
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	-	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Real Estate Luxembourg Holding S.A.	Luxembourg	-	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
BTG Pactual CTP Absolute Return	Cayman	100.00	100.00
Lutece Holdings Ltd.	Bermudas	100.00	100.00
Lutece Investment Management Ltd.	Bermudas	100.00	100.00
BTG Pactual Seguros S.A	Brazil	100.00	-
BTG Pactual Reinsurance Ltd.	Cayman	100.00	-
BTG Pactual Holding EFG Ltd.	Brazil	100.00	-
BTG Pactual (UK) Limited		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	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	100.00	100.00
FIM CP Energy	Brazil	51.48	51.48
FIM CP Vitória Fidelis	Brazil	100.00	100.00
FIDC NP Alternative Assets II	Brazil	100.00	100.00
BTG Pactual SICAV - Mexico Equity Fund	Luxembourg	94.44	-
BTG Pactual SICAV- Latin America Equity Fund	Luxembourg	95.07	-
BTG Pactual Fondo Alfa Concentrado S.A. de C.V.	Mexico	94.98	-
BTG Pactual Absoluto Global Equities Inst FIA IE	Brazil	100.00	-
BTG Pactual Absoluto Global Equities FIA	Brazil	88.33	-
BTG Pactual Absoluto Global Equities	Brazil	84.06	-
SEEDLING FIP	Brazil	100.00	-
FIDC NP Alternative Assets III	Brazil	100.00	-
FIDC NP Precatórios Brasil	Brazil	100.00	-

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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) stockholders' 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 asset and liability transactions

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, 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 under the following categories:

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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 nor 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.

The 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 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 the statements of income.

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- 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 the statement 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 stockholders' equity, and reclassified to income for the period in the event of the 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 against their results.

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 recorded in memorandum accounts.

f. 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.

g. 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 sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

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h. 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.

i. Allowance for loan losses

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

- Allowances are recorded for loans, based on the classification of the client’s risk, 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 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.

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions 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, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the Company 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 benefit are expected from their disposal.

k. 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.

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l. Foreign currency translation

See note 3b.

m. 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 jointly controlled entities, and in deferred income to subsidiaries.

n. Property and equipment in use and deferred charges

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

o. 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. Comprised by (i) goodwill paid in acquisition transferred to intangible asset 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.

p. 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 bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

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q. 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 15% for social contribution.

r. 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 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

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

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

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5. Risk 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 our 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.

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

	30/09/2019	31/12/2018
Reference Shareholders' Equity	20,766,632	18,790,469
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	20,821,097	18,844,934
Tier I	16,125,645	13,073,230
Common Equity	16,125,645	9,519,308
Complementary Equity	-	3,553,922
Tier II	3,741,576	1,813,130
Reference Shareholders' Equity (PR) - (a)	19,867,221	14,886,360
Required Reference Shareholders' Equity (PRE)	19,907,233	7,751,994
Total exposure risk-weighted - (b)	136,340,409	89,878,195
Credit risk	65,691,444	52,997,712
Operational risk	5,938,507	4,370,623
Market risk	64,710,458	32,509,860
Basel ratio - (a/b)	14.6%	16.6%
Tier I capital	11.8%	14.6%
Tier II capital	2.8%	2.0%
Fixed assets ratio	99.1%	96.5%
Fixed assets to equity capital ratio	9,925,945	7,434,944
Status for fixed assets to equity capital ratio	9,838,787	7,176,296
Amount of margin (insufficiency)	87,158	258,648

BANCO BTG PACTUAL S.A. and subsidiaries

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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 period ended September 30, 2019 and year ended December 31, 2018, the Bank was in compliance with all operating limits.

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 period ended:

In millions of R\$	September 2019	December 2018	September 2018
Daily average VaR	147.6	82.7	58.1

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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.

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 carefully 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.

6. Cash at banks

Cash at banks refers basically to deposits abroad in prime banks.

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7. Interbank investments

	30/09/2019					31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	30,848,932	29,041,243	1,807,689	-	-	40,808,965
Own portfolio	5,667,985	5,258,604	409,381	-	-	12,334,671
Federal government bonds	5,460,578	5,063,249	397,329	-	-	12,051,604
Corporate bonds	131,666	120,593	11,073	-	-	226,991
Foreign private securities	-	-	-	-	-	55,368
Foreign government bonds	75,741	74,762	979	-	-	708
Third-party portfolio	22,708,629	22,126,913	581,716	-	-	22,105,908
Federal government bonds	22,504,293	21,922,577	581,716	-	-	21,877,628
Foreign private securities	-	-	-	-	-	69,094
Corporate bonds	15,959	15,959	-	-	-	159,186
Foreign government bonds	188,377	188,377	-	-	-	-
Short position	2,472,318	1,655,726	816,592	-	-	6,368,386
Federal government bonds	2,151,686	1,335,094	816,592	-	-	6,347,237
Corporate bonds	-	-	-	-	-	6,562
Foreign government bonds	320,632	320,632	-	-	-	14,587
Interbank investments (*)	1,712,229	1,666,429	45,800	-	-	2,688,220
Interbank deposit certificates	290,816	245,016	45,800	-	-	234,582
Investments in foreign currency - overnight	1,421,413	1,421,413	-	-	-	2,453,638
Total	32,561,161	30,707,672	1,853,489	-	-	43,497,185

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

The collateral received in repurchase agreements amounts to R\$31,244,145 (December 31, 2018 - R\$41,756,800), whereas the collateral granted amounts to R\$33,732,237 (December 31, 2018 - R\$37,373,792).

8. Securities

a. By type of portfolio

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

	30/09/2019							31/12/2018
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	23,169,781	23,988,434	12,706,739	3,757,677	1,731,237	1,477,866	4,314,915	15,676,143
Federal government bonds	9,221,204	9,221,567	4,978,840	2,079,597	834,213	31,110	1,297,807	2,432,809
Debentures/Eurobonds (i)	2,386,597	2,360,470	157,195	400,082	666,245	795,434	341,514	601,725
Investment fund quotes								
Shares	336,945	353,426	300,913	34,374	-	-	18,139	59,686
Multimarket	2,446,526	2,501,090	1,831,010	345,096	-	-	324,984	2,411,183
FIDC - Credit Rights	261,664	263,434	-	-	-	1,690	261,744	141,459
Real Estate	138,415	143,820	1,047	-	-	-	142,773	133,476
Equity Investment fund	684,338	698,897	422,933	53,611	-	-	222,353	295,037
Shares	2,343,147	3,209,141	2,901,553	-	-	286,192	21,396	4,284,301
Certificate of real estate								
receivables	54,330	55,078	-	3,911	9,552	3,489	38,126	37,304
Certificate of bank deposits	3,407	3,407	-	3,407	-	-	-	-
Promissory note	5,035	5,035	5,035	-	-	-	-	-
Other	393,060	390,818	64,363	300,742	6,953	16,692	2,068	409,099
Foreign government bonds	797,287	710,749	4,209	303,263	111,125	204,245	87,907	2,389,178
Foreign private securities	4,097,826	4,071,502	2,039,641	233,594	103,149	139,014	1,556,104	2,480,886
Unrestricted portfolio	366,053	372,208	-	-	226,021	22,084	124,103	30,823
Federal government bonds	366,053	372,208	-	-	226,021	22,084	124,103	30,823
Subject to repurchase agreements	6,290,252	6,175,385	266,877	134,964	1,667,478	302,178	3,803,888	6,507,368
Federal government bonds	4,585,920	4,601,885	-	49,993	677,014	198,802	3,676,076	4,747,143
Foreign government bonds	456,966	456,966	-	-	404,862	21,531	30,573	703,074
Other	241,746	241,748	241,748	-	-	-	-	-
Foreign private securities	-	-	-	-	-	-	-	442,082
Debentures (i)	1,005,620	874,786	25,129	84,971	585,602	81,845	97,239	615,069
Subject to guarantees	4,476,638	4,497,447	1,978,133	1,187,061	831,374	175,937	324,942	3,974,485

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Federal government bonds	2,182,695	2,184,573	-	1,172,978	831,374	175,937	4,284	1,877,978
Investment fund quotes								
Multimarket	994,295	999,239	999,239	-	-	-	-	628,599
Debentures (i)	-	-	-	-	-	-	-	168,575
Certificate of real estate receivables	312,651	320,658	-	-	-	-	320,658	291,574
Shares	952,559	958,539	958,539	-	-	-	-	964,920
Foreign private securities	34,438	34,438	20,355	14,083	-	-	-	42,839
Trading securities	29,377,842	30,091,501	14,900,674	2,659,459	3,251,125	1,472,627	7,807,616	18,739,877
Available for sale securities	1,580,681	1,597,772	51,075	100,193	185,118	505,438	755,948	3,242,955
Held-to-maturity securities	3,344,201	3,344,201	-	2,320,050	1,019,867	-	4,284	4,205,987
Total	34,302,724	35,033,474	14,951,749	5,079,702	4,456,110	1,978,065	8,567,848	26,188,819

b. Trading securities

	30/09/2019							31/12/2018
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	19,470,905	20,285,808	12,704,070	1,777,663	951,214	973,236	3,879,625	13,554,652
Federal government bonds	6,703,827	6,704,190	4,978,840	199,776	196,657	31,110	1,297,807	2,432,809
Debentures/Eurobonds	1,983,673	1,967,542	154,818	349,425	525,819	595,966	341,514	71,163
Investment fund quotes								
Shares	336,945	353,426	300,913	34,374	-	-	18,139	59,686
Multimarket	2,446,526	2,501,090	1,831,010	345,096	-	-	324,984	2,411,183
FIDC - Credit Rights	261,664	263,434	-	-	-	1,690	261,744	141,459
Real Estate	138,415	143,820	1,047	-	-	-	142,773	133,476
Equity investment fund	516,345	517,582	422,933	53,611	-	-	41,038	108,925
Shares	2,056,955	2,922,949	2,901,553	-	-	-	21,396	3,936,990
Certificate of real estate receivables	24,040	24,062	-	3,911	7,630	3,489	9,032	233
Certificate of bank deposits	3,407	3,407	-	3,407	-	-	-	-
Promissory note	5,035	5,035	5,035	-	-	-	-	-
Other	392,339	390,526	64,071	300,742	6,953	16,692	2,068	10
Foreign government bonds	723,000	636,375	4,209	253,760	111,006	186,182	81,218	2,230,297
Foreign private securities	3,878,734	3,852,370	2,039,641	233,561	103,149	138,107	1,337,912	2,028,421
Unrestricted portfolio	366,053	372,208	-	-	226,021	22,084	124,103	30,823
Federal government bonds	366,053	372,208	-	-	226,021	22,084	124,103	30,823
Subject to repurchase agreements	6,247,183	6,131,926	266,877	134,964	1,624,827	301,370	3,803,888	2,557,697
Federal government bonds	4,585,920	4,601,885	-	49,993	677,014	198,802	3,676,076	1,412,541
Foreign government bonds	456,966	456,966	-	-	404,862	21,531	30,573	703,074
Other	241,746	241,748	241,748	-	-	-	-	-
Foreign private securities	-	-	-	-	-	-	-	442,082
Debentures	962,551	831,327	25,129	84,971	542,951	81,037	97,239	-
Subject to guarantees	3,293,701	3,301,559	1,929,727	746,832	449,063	175,937	-	2,596,705
Federal government bonds	1,355,871	1,357,749	-	732,749	449,063	175,937	-	1,006,593
Investment fund quotes								
Multimarket	950,833	950,833	950,833	-	-	-	-	582,353
Shares	952,559	958,539	958,539	-	-	-	-	964,920
Foreign private securities	34,438	34,438	20,355	14,083	-	-	-	42,839
Total	29,377,842	30,091,501	14,900,674	2,659,459	3,251,125	1,472,627	7,807,616	18,739,877

c. Available-for-sale securities

	30/09/2019							31/12/2018
	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	1,181,499	1,185,249	2,669	100,193	142,467	504,630	435,290	2,121,491
Investment fund quotes								
Equity investment fund	167,993	181,315	-	-	-	-	181,315	186,112
Shares	286,192	286,192	-	-	-	286,192	-	347,311
Debentures	402,924	392,928	2,377	50,657	140,426	199,468	-	530,562
Certificate of real estate receivables	30,290	31,016	-	-	1,922	-	29,094	37,071
Foreign government bonds	74,287	74,374	-	49,503	119	18,063	6,689	158,881
Foreign private securities	219,092	219,132	-	33	-	907	218,192	452,465
Other	721	292	292	-	-	-	-	409,089
Subject to repurchase agreements	43,069	43,459	-	-	42,651	808	-	615,069
Debentures	43,069	43,459	-	-	42,651	808	-	615,069
Subject to guarantees	356,113	369,064	48,406	-	-	-	320,658	506,395
Debentures	-	-	-	-	-	-	-	168,575
Investment fund quotes								
Multimarket	43,462	48,406	48,406	-	-	-	-	46,246
Certificate of real estate receivables	312,651	320,658	-	-	-	-	320,658	291,574
Total	1,580,681	1,597,772	51,075	100,193	185,118	505,438	755,948	3,242,955

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d. Held-to-maturity securities

	30/09/2019						31/12/2018
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	2,517,377	-	1,879,821	637,556	-	-	-
Federal government bonds	2,517,377	-	1,879,821	637,556	-	-	-
Subject to re purchase	-	-	-	-	-	-	3,334,602
Federal government bonds	-	-	-	-	-	-	3,334,602
Subject to guarantees	826,824	-	440,229	382,311	-	4,284	871,385
Federal government bonds	826,824	-	440,229	382,311	-	4,284	871,385
Total	3,344,201	-	2,320,050	1,019,867	-	4,284	4,205,987

If measured at fair value, held-to-maturity securities would be reported as at the period ended September 30, 2019 with a negative adjustment of R\$4,765 (December 31, 2018 – R\$42,870 positive).

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

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the period ended on September 30, 2019 and December 31, 2018.

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9. Derivative financial instruments

The Bank actively engages 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 period ended September 30, 2019 and year ended December 31, 2018, 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 head office.

	30/09/2019		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	11,775,350	(356,688)	6,736,007
	31/12/2018		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	13,474,849	(1,082,239)	7,061,816

(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. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward ("NDF") and Deliverable Forward ("DF") derivatives in the table below.

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	30/09/2019				31/12/2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	214,121,739	72,175,946	26,249,116	312,546,801	33,915,982
Currency	2,999,139	8,408	50,041	3,057,588	1,810,940
Interest rate	208,977,613	71,780,103	25,381,970	306,139,686	31,582,862
Index	1,788,746	375,304	816,801	2,980,851	450,917
Equities	-	-	-	-	71,263
Commodities	356,241	12,131	304	368,676	-
Short position	10,796,582	778,614	3,509,972	15,085,168	27,044,099
Currency	60,397	2,941	-	63,338	1,092,438
Interest rate	10,731,823	775,673	2,726,945	14,234,441	24,512,708
Index	4,362	-	783,027	787,389	994,745
Equities	-	-	-	-	444,208
Swap					
Long position	83,760,426	17,454,812	20,295,331	121,510,569	69,148,288
Currency	23,953	-	401,265	425,218	3,085,271
Interest rate	82,190,578	16,926,457	19,303,111	118,420,146	62,318,526
Index	-	60,361	265,467	325,828	422,816
Equities	859,650	358,319	325,488	1,543,457	2,016,917
Commodities	25,188	10,629	-	35,817	12,312
Other	661,057	99,046	-	760,103	1,292,446
Short position	83,760,426	17,454,812	20,295,331	121,510,569	69,148,288
Currency	75,854	492,634	611,723	1,180,211	3,921,538
Interest rate	80,722,069	16,419,150	18,208,612	115,349,831	60,815,690
Index	1,374,219	234,894	533,200	2,142,313	877,138
Equities	667,721	304,257	625,066	1,597,044	483,499
Commodities	202,389	-	-	202,389	-
Other	718,174	3,877	316,730	1,038,781	3,050,423
Credit Derivatives					
Long position	-	104,110	95,032	199,142	84,471
Sovereign	-	-	37,480	37,480	84,471
Corporate	-	104,110	57,552	161,662	-
Short position	-	-	247,261	247,261	250,176
Sovereign	-	-	21,488	21,488	91,252
Corporate	-	-	225,773	225,773	158,924
Non-deliverable forward - NDF					
Long position	41,642,859	1,255,598	3,089,139	45,987,596	48,024,872
Currency	39,607,599	450,788	211,018	40,269,405	41,828,922
Index	2,035,260	804,810	2,878,121	5,718,191	6,195,950
Short position	41,642,859	1,255,598	3,089,139	45,987,596	48,024,872
Currency	39,607,599	450,788	211,018	40,269,405	33,731,120
Index	2,035,260	804,810	2,878,121	5,718,191	6,195,950
Interest rate	-	-	-	-	8,085,278
Other	-	-	-	-	12,524
Security forwards					
Long position	1,704,682	-	-	1,704,682	-
Currency	59	-	-	59	-
Interest rate	778,300	-	-	778,300	-
Government bonds	926,323	-	-	926,323	-
Short position	1,704,682	-	-	1,704,682	-
Currency	59	-	-	59	-
Interest rate	926,323	-	-	926,323	-
Government bonds	778,300	-	-	778,300	-
Options market					
Call option - long position	8,615,462	375,274	484,689	9,475,425	7,420,902
Equities	662,584	2,300	53,395	718,279	1,783,677
Commodities	1,581,996	-	-	1,581,996	-
Currency	3,525,710	134,244	431,294	4,091,248	5,353,634
Index	2,845,172	238,730	-	3,083,902	204,545
Other	-	-	-	-	79,046
Put option - long position	82,591,759	25,031	50,376	82,667,166	69,754,811
Equities	5,609,789	85	-	5,609,874	4,047,293
Commodities	14,385,961	7,252	-	14,393,213	-
Index	56,752,008	-	-	56,752,008	-
Currency	5,844,001	17,694	50,376	5,912,071	20,108,993

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	30/09/2019				31/12/2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Interest rate	-	-	-	-	45,598,525
Call option - short position	8,308,691	291,871	994	8,601,556	2,476,598
Equities	596,759	85	-	596,844	245,415
Commodities	2,710,986	21,760	-	2,732,746	-
Currency	2,163,258	29,209	994	2,193,461	1,983,164
Index	2,837,688	240,817	-	3,078,505	248,019
Put option - short position	79,128,011	24,924	50,376	79,203,311	64,264,616
Equities	751,622	1,380	-	753,002	243,357
Commodities	17,485,341	-	-	17,485,341	-
Index	56,363,071	-	-	56,363,071	441,088
Currency	4,527,977	23,544	50,376	4,601,897	16,435,600
Interest rate	-	-	-	-	47,144,571

b. By cost and market value

	30/09/2019					31/12/2018
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	-	-	-	-	-	548
Short position	-	-	-	-	-	2,969
Swaps						
Long position	1,267,127	1,373,677	181,612	104,982	1,087,083	816,237
Short position	1,971,011	2,250,794	102,262	466,271	1,682,261	1,318,129
Credit derivatives						
Long position	6,286	7,157	-	2,022	5,135	13,054
Short position	13,087	15,406	3,850	-	11,556	12,311
Non-deliverable forward - NDF						
Long position	1,684,672	1,733,991	1,260,042	184,979	288,970	1,504,793
Short position	939,089	936,120	532,073	183,002	221,045	743,548
Security forwards						
Long position	1,704,430	1,706,307	1,706,307	-	-	300,971
Short position	1,707,064	1,706,324	1,706,324	-	-	298,746
Options market						
Long position	610,548	810,801	622,756	7,050	180,995	1,167,282
Short position	177,995	315,809	272,785	8,830	34,194	437,765
Long position	5,273,063	5,631,933	3,770,717	299,033	1,562,183	3,802,885
Short position	4,808,246	5,224,453	2,617,294	658,103	1,949,056	2,813,468

c. Notional by counterparty

	30/09/2019					31/12/2018
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	309,347,077	3,199,724	-	-	312,546,801	33,915,982
Short position	14,496,743	588,425	-	-	15,085,168	27,044,099
Swap						
Long position	832,318	118,473,229	2,163,610	41,412	121,510,569	69,148,288
Short position	832,318	118,473,229	2,163,610	41,412	121,510,569	69,148,288
Credit derivatives						
Long position	-	199,142	-	-	199,142	84,471
Short position	-	247,261	-	-	247,261	250,176
Non-deliverable forward - NDF						
Long position	-	39,797,023	6,183,308	7,265	45,987,596	48,024,872
Short position	-	39,797,023	6,183,308	7,265	45,987,596	48,024,872
Security forwards						
Long position	-	1,704,682	-	-	1,704,682	-
Short position	-	1,704,682	-	-	1,704,682	-
Options market						
Long position	57,194,444	34,623,849	41,731	282,567	92,142,591	77,175,713
Short position	57,440,948	30,136,024	68,371	159,524	87,804,867	66,741,214
Long position	367,373,839	197,997,649	8,388,649	331,244	574,091,381	228,349,326
Short position	72,770,009	190,946,644	8,415,289	208,201	272,340,143	211,208,649

(i) Includes investments funds.

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d. Credit derivatives

	30/09/2019	31/12/2018
Credit swap		
Transferred risk		
Sovereign	37,480	84,471
Corporate	161,662	-
Risk received		
Sovereign	(21,488)	(91,252)
Corporate	(225,773)	(158,924)
	(48,119)	(165,705)

During the period ended September 30, 2019 and year ended December 31, 2018, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at September 30, 2019 is R\$32.285 (December 31, 2018 – R\$21,318).

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\$2,779,980 (December 31, 2018 – R\$2,413,113) and shares in the amount of R\$958,539 (December 31, 2018 – R\$964,919).

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 are 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 brokers and 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 market prices, Bloomberg and Reuters).

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- 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.

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	30/09/2019		31/12/2018	
	Balance	Allowance	Balance	Allowance
Loans	18,008,385	(1,003,221)	13,664,984	(557,633)
Financing	2,807,082	(73,522)	1,419,172	(64,786)
FINAME/BNDES	2,887,807	(14,431)	2,890,562	(14,393)
Securities financing	1,715,398	-	876,136	-
Transferred loans with co-obligations (i)	2,861	-	5,518	-
Total	25,421,533	(1,091,174)	18,856,372	(636,812)

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

ii. By risk level and maturity

Risk level	30/09/2019					31/12/2018		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	8,079	4,908,777	841,662	5,953,004	11,711,522	(2,375)	9,150,140	-
A	1	707,397	201,105	4,404,876	5,313,379	(26,892)	4,678,634	(23,393)
B	-	1,098,975	701,456	3,360,470	5,160,901	(62,154)	1,642,561	(16,426)
C	11	329,568	129,671	678,664	1,137,914	(35,292)	1,521,783	(75,582)
D	-	20,107	641	577,484	598,232	(135,371)	1,364,380	(293,854)
E	-	2,951	27,690	441,463	472,104	(162,582)	276,426	(82,928)
F	-	59	117,228	724,245	841,532	(495,136)	134,566	(74,368)
G	-	-	-	64,631	64,631	(50,054)	58,739	(41,117)
H	66	17,775	9,314	94,163	121,318	(121,318)	29,143	(29,144)
Total	8,157	7,085,609	2,028,767	16,299,000	25,421,533	(1,091,174)	18,856,372	(636,812)

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iii. By activity sector

Sector	30/09/2019	31/12/2018
Commerce	5,065,195	2,609,460
Industry	2,796,405	2,977,475
Services	15,456,249	11,938,704
Rural	1,511,622	863,290
Individuals	592,062	467,443
Total	25,421,533	18,856,372

b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

Risk level	30/09/2019					31/12/2018		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	38,302	-	-	38,302	-	36,263	-
C	-	2,026	-	-	2,026	(61)	5,228	(157)
E	35,489	-	-	-	35,489	(13,773)	-	-
Total	35,489	40,328	-	-	75,817	(13,834)	41,491	(157)

ii. By activity sector

Sector	30/09/2019	31/12/2018
Services	73,791	36,262
Commerce	2,026	5,229
Total	75,817	41,491

c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	30/09/2019					31/12/2018		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	85,914	133,418	-	219,332	-	-	-
A	-	148,152	-	-	148,152	(833)	149,572	(782)
B	-	505,033	235,799	-	740,832	(7,845)	682,066	(6,731)
C	-	-	20,228	-	20,228	(625)	56,078	(1,896)
D	-	-	-	-	-	-	51,027	(14,111)
Total	-	739,099	389,445	-	1,128,544	(9,303)	938,743	(23,520)

ii. By activity sector

Sector	30/09/2019	31/12/2018
Industry	1,128,544	938,743
Total	1,128,544	938,743

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d. Credit concentration

	30/09/2019	%	31/12/2018	%
Largest debtors				
10 largest debtors	8,738,139	32%	8,579,481	43%
20 following largest debtors	4,197,377	16%	1,720,801	9%
50 following largest debtors	4,746,657	18%	2,446,034	12%
100 following largest debtors	4,512,952	17%	2,589,165	13%
200 following largest debtors	3,101,376	12%	2,616,999	13%
500 following largest debtors	1,264,318	5%	1,766,345	9%
Above 500 following largest debtors	65,075	0%	117,781	1%
Total	26,625,894	100%	19,836,606	100%

e. Allowance

Changes in the allowance for loan losses and other receivables are as follows:

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Opening balances	(1,152,191)	(1,122,532)	(979,552)	(871,528)
Reversal/(accrual) of allowance	(160,715)	38,833	(290,579)	(36,150)
Renegotiation of credits written off to loss	-	(9,065)	-	(83,202)
Provision transferred to credit portfolio	(18,027)	-	(94,093)	(80,124)
Allowance for guarantee	-	(16,208)	-	(33,894)
Exchange rate variation	(23,204)	(542)	(904)	(11,274)
Recovery credits written off as loss	24,582	213,028	35,573	219,686
Closing balances	(1,329,555)	(896,486)	(1,329,555)	(896,486)
Breakdown of closing balances				
Allowance for loan losses	(1,091,174)	(592,885)	(1,091,174)	(592,885)
Allowance for other receivables	(215,244)	(274,008)	(215,244)	(287,685)
Allowance for other receivables without loan characteristics (Note 10 (b))	(13,834)	(13,834)	(13,834)	(157)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(9,303)	(15,759)	(9,303)	(15,759)
	(1,329,555)	(896,486)	(1,329,555)	(896,486)

f. Renegotiation/recovery of credits written off as loss

As at September 30, 2019, the amount of R\$1,642,510 were due to credit renegotiation (December 31, 2018 – R\$1,701,795). Also in the period ended September 30, 2019 there were R\$25,596 written off loans recovered (December 31, 2018 – R\$80,451).

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11. Other receivables/obligations

a. Foreign Exchange portfolio

	30/09/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	12,096,959	29,818,597	1,946,655	15,272,557
Rights on foreign exchange sales	29,657,496	-	15,458,174	-
(-) Advances on foreign exchange contracts	21,176	(1,107,368)	20,697	(918,046)
(-) Advances in foreign currency received	(2,498)	-	(271)	-
(-) Advances in local currency received	(223)	-	-	-
Liability for foreign exchange purchase	-	12,130,067	-	2,125,514
Total	<u>41,772,910</u>	<u>40,841,296</u>	<u>17,425,255</u>	<u>16,480,025</u>
Current	41,772,910	40,841,296	17,425,255	16,480,025
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$758,928 (December 31, 2018 - R\$596,453).

b. Securities trading and brokerage

	30/09/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	294,625	418,040	583,022	191,879
Unsettled financial assets / liabilities	3,598	933,644	17	731,423
Pending settlement	4,132,535	2,754,365	2,576,317	1,077,495
Creditors for stock loans	-	40,497	-	15,431
Other securities trading and brokerage	-	22,382	-	-
Commissions and brokerage payable	253,010	1,074,346	717,708	3,184,599
Swap brokerage	150	-	140	-
Total	<u>4,683,918</u>	<u>5,243,274</u>	<u>3,877,204</u>	<u>5,200,827</u>
Current	4,683,918	5,243,274	3,877,204	5,200,827
Long-term	-	-	-	-

“Pending settlement” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset 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.

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12. Other receivables

a. Income receivable

	30/09/2019	31/12/2018
Dividends and bonus	91,014	102,781
Receivables from services rendered	123,696	59,944
Rights on energy sales	126,284	104,764
Management and performance fees for investment funds and portfolio	247,544	630,119
Distribution fees	7,252	5,289
Commissions on guarantees	59,439	24,367
Total	655,229	927,264
Current	655,229	927,264
Long-term	-	-

b. Sundry

	30/09/2019	31/12/2018
Deferred tax assets - income and social contribution (note 18)	5,247,323	5,393,743
Deferred tax assets - Others	217,670	303,507
Sundry	1,746,401	1,493,016
Judicial deposits	1,741,201	1,627,949
Taxes recoverable to offset	662,143	735,333
Securities and credits receivable		
With loan characteristics (note 10 b)	75,817	41,491
Without loan characteristics	2,036,143	1,360,096
Investment properties	487,444	510,796
Salaries advances	44,850	33,830
Advance to suppliers	-	283
Other	334,659	480,408
Total	12,593,651	11,980,452
Current	1,837,376	505,344
Long-term	10,756,275	11,475,108

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13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities					
	Shareholders' Equity		Net income (loss)			
			Quarter ended:		Nine-month period ended:	
	30/09/2019	31/12/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
In Brazil						
Banco Pan S.A.	4,830,817	4,095,919	134,552	49,126	348,366	
Pan Seguros S.A.	363,985	470,234	9,092	9,822	29,390	
Pan Corretora S.A.	55,311	32,256	16,392	2,594	33,735	
Abroad						
Engelhart CTP Group S.A.	1,762,216	2,029,348	9,559	(217,895)	137,217	
EFG International (i) (ii)	6,714,331	6,636,882	-	-	220,847	

(i) On September 30, 2019, 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, 2019 comprises the income generated by the investment, net of the late disclosure of its financial information.

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	Changes in investments					
	31/12/2018	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Changes in investment accounting practices (iii)	Fair value adjustment (iv)	Exchange variation
In Brazil						
Banco Pan S.A.	1,954,238	(347,717)	(57,808)	-	360	-
Negative Goodwill - Banco Pan	(225,530)	140,475	-	-	-	-
Warehouse 1 Empreendimentos	8,491	(8,812)	-	-	-	-
Imobiliários S.A.						
Pan Corretora S.A.	16,450	-	(5,446)	-	-	-
Pan Seguros S.A.	239,816	(25,500)	(44,337)	-	662	-
Other	3,186	4,551	-	-	-	-
Total	1,996,651	(237,003)	(107,591)	-	1,022	-
Abroad						
BTG Pactual Holding S.A.R.L. (i) (ii) (iii)	3,453,429	-	(1,163,881)	(6,172)	(15,131)	291,826
Engelhart CTP Group S.A. (i) (ii)	386,178	(416,261)	-	(7,587)	-	23,791
EFG International (i)	1,953,128	1,062	(96,200)	-	(58,491)	112,249
Goodwill - EFG International (i)	1,073,201	-	-	-	-	57,446
	6,865,936	(415,199)	(1,260,081)	(13,759)	(73,622)	485,312
Total	8,862,587	(652,202)	(1,367,672)	(13,759)	(72,600)	485,312

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(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) During the quarter ended on December 31, 2018, the agreements related to the sale of the Bank's indirect equity interest in the joint venture Petrobras Oil & Gas BV through BTG Pactual E & P BV were concluded. The asset in the amount of R\$ 4,079,122 (previously in Securities) was transferred to investments in associates and jointly controlled entities, reflecting the permanent nature of the participation.

14. Intangible assets

	Changes in Intangible assets					30/09/2019
	31/12/2018	Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Intangible assets	231,936	3,359	(13,062)	(26,775)	7,675	203,133
Cost	497,919	3,359	(13,062)	-	12,137	500,353
Amortization	(265,983)	-	-	(26,775)	(4,462)	(297,220)
Total	<u>231,936</u>	<u>3,359</u>	<u>(13,062)</u>	<u>(26,775)</u>	<u>7,675</u>	<u>203,133</u>

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	30/09/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	21,059,592	11,525,875	7,944,109	1,474,984	14,556	100,068	20,950,087
Open market funding	31,541,576	28,982,246	2,314,507	158,171	-	86,652	35,574,986
Funds from securities issued and accepted	21,270,016	884,982	4,027,752	10,280,198	2,755,483	3,321,601	14,396,303
Loans and borrowings	4,251,473	576,381	499,108	167,965	72,770	2,935,249	4,969,610
Subordinated debts and subordinated debt eligible to equity	8,284,258	702,262	702,262	3,089,259	210,145	3,580,330	8,845,685
Total	<u>86,406,915</u>	<u>42,671,746</u>	<u>15,487,738</u>	<u>15,170,577</u>	<u>3,052,954</u>	<u>10,023,900</u>	<u>84,736,671</u>

b. Deposits

	30/09/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	415,944	415,944	-	-	-	-	287,303
Interbank deposits	417,785	233,115	78,989	5,800	-	99,881	378,410
Time deposits	20,225,863	10,876,816	7,865,120	1,469,184	14,556	187	20,284,374
Total	<u>21,059,592</u>	<u>11,525,875</u>	<u>7,944,109</u>	<u>1,474,984</u>	<u>14,556</u>	<u>100,068</u>	<u>20,950,087</u>

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c. Open market funding

Open market funding has collateral on the following securities:

	30/09/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	6,147,407	5,601,171	546,236	-	-	-	6,279,037
Federal government bonds	4,516,985	4,516,901	84	-	-	-	4,416,717
Corporate securities	1,208,573	662,421	546,152	-	-	-	956,632
Foreign securities	-	-	-	-	-	-	409,313
Foreign government bonds	421,849	421,849	-	-	-	-	496,375
Third-party portfolio	20,683,521	20,683,521	-	-	-	-	22,224,352
Federal government bonds	20,481,817	20,481,817	-	-	-	-	20,172,962
Corporate bonds	24,426	24,426	-	-	-	-	655,281
Foreign securities	-	-	-	-	-	-	1,396,109
Foreign government bonds	177,278	177,278	-	-	-	-	-
Unrestricted portfolio (i)	4,710,648	2,697,554	1,768,271	158,171	-	86,652	7,071,597
Federal government bonds	4,361,936	2,348,842	1,768,271	158,171	-	86,652	7,044,343
Foreign securities	-	-	-	-	-	-	8,230
Foreign government bonds	348,712	348,712	-	-	-	-	19,024
Total	31,541,576	28,982,246	2,314,507	158,171	-	86,652	35,574,986

(i) From the unrestricted portfolio, R\$3,272,049 (December 31, 2018 – R\$6,717,493) refers to short position and R\$1,438,599 (December 31, 2018 – R\$354,104) to third-party portfolio.

d. Funds from securities issued and accepted

	30/09/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	13,106,684	767,505	2,525,087	7,775,127	2,027,932	11,033	9,583,995
Financial bills	8,826,081	385,717	1,175,445	5,288,300	1,965,586	11,033	6,338,228
Mortgage bonds/letters of credit for agribusiness	4,064,257	336,347	1,259,751	2,411,532	56,627	-	3,067,898
Certificates of structured transactions	216,346	45,441	89,891	75,295	5,719	-	177,869
Securities – abroad	8,163,332	117,477	1,502,665	2,505,071	727,551	3,310,568	4,812,308
Medium term notes	4,638,125	-	1,417,774	2,415,452	246,464	558,435	4,470,214
Fixed rate notes and others	3,525,207	117,477	84,891	89,619	481,087	2,752,133	342,094
Total	21,270,016	884,982	4,027,752	10,280,198	2,755,483	3,321,601	14,396,303

As at September 30, 2019, securities in Brazil were basically indexed to interest referenced rates (CDI) between 55% and 120% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. (December 31, 2018 – indexed to (CDI) between 82% and 115% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a.).

On September 30, 2019, securities abroad have rates between 2.4% p.a. and 8.9% p.a. (December 31, 2018 – between 2.4% p.a. and 13.6% p.a.).

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e. Loans and onlending

	30/09/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	1,486,411	550,911	498,537	164,369	-	272,594	2,182,435
Foreign currency	1,006,414	343,508	498,537	164,369	-	-	787,897
Loans abroad	479,997	207,403	-	-	-	272,594	1,394,538
Borrowings in Brazil	2,765,062	25,470	571	3,596	72,770	2,662,655	2,787,175
FINAME/BNDES	2,765,062	25,470	571	3,596	72,770	2,662,655	2,787,175
Total	4,251,473	576,381	499,108	167,965	72,770	2,935,249	4,969,610

On September 30, 2019, securities abroad have rates between 2.1% p.a. and 8.9% p.a. (December 31, 2018 – between 0.50% p.a. and 9.23% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	30/09/2019					31/12/2018
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	3,748,602	3,701,867
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,639,205	1,564,289
Subordinated debt - CLP (iii)	391,410	01/01/2019	01/11/2028	2.40%	408,686	-
Subordinated debt eligible to equity - R\$	15,253	23/12/2014	09/03/2022	IPCA + 7.9%	27,991	-
Subordinated debt eligible to equity - US\$ (iv)	1,300,000	18/09/2014	Callable at September 2019	8.75%	-	3,579,529
Subordinated debt eligible to equity - US\$ (ii)	600,000	15/02/2019	15/02/2029	7.75%	2,459,774	-
Total					8,284,258	8,845,685

- (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, 2019, and callable in five years.
- (iii) The subordinated debt was issued by Banco BTG Pactual Chile S.A.
- (iv) On September 18, 2019, the callable option was settled.

16. Other obligations

a. Social and statutory

	30/09/2019	31/12/2018
Dividends and profit sharing payable	3,471	607,971
Employees' profit sharing	632,160	623,319
Total	635,631	1,231,290
Current	635,631	1,231,290
Long term	-	-

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b. Tax and social security

	30/09/2019	31/12/2018
Tax and contributions to be collected	84,091	101,386
Tax and contribution payable	640,692	613,749
Deferred social contribution and income tax (Note 18)	73,318	78,613
Deferred PIS and COFINS	606	858
Total	798,707	794,606
Current	733,864	485,211
Long term	64,843	309,395

c. Sundry

	30/09/2019	31/12/2018
Payable for acquisition of assets and rights (i) (ii)	193,882	1,015,630
Accounts payable - personnel	195,313	327,064
Provision for contingent liabilities	1,687,161	1,648,713
Other creditors - Brazil	5,073,122	3,943,926
Other creditors - Abroad	65,343	20,937
Allowance for guarantees	147,358	212,268
Other	41,472	19,996
Total	7,403,651	7,188,534
Current	2,230,999	1,122,908
Long term	5,172,652	6,065,626

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

(ii) As described in note 2, the liability that came from Banco Pan's acquisition was transferred to the Holding.

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

As at September 30, 2019 and December 31, 2018, the Bank did not record contingent assets.

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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 September 30, 2019 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the period ended September 30:

	30/09/2019				30/09/2018
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	1,472,178	125,611	50,924	1,648,713	2,053,233
Recognition	63,208	23,476	3,213	89,897	143,519
Write-off	(6,726)	(44,039)	(684)	(51,449)	(568,765)
Balance at the end of the period	1,528,660	105,048	53,453	1,687,161	1,627,987
Other contingencies and Provision for contingent liabilities (Note 16 (c))				1,687,161	1,627,987

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The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

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 a 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 September 30, 2019, 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\$625 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\$1,803 million, 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 addition, on December 2017, the Bank received another tax assessment in the amount of R\$874 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. An appeal was filed against this assessment, pending a second administrative decision. On December 2018, a tax assessment was received, in the amount of R\$436 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\$263 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 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.

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- The Holding International S.A. received a tax assessment of income tax paid abroad and compensated in Brazil on 2012, in the total amount of R\$156 million. Against the notice, the Holding presented an administrative appeal, which awaits trial in first instance. On June 2018, Holding International was notified of the diligence result in first instance in which recognized the partial provenance of compensation of foreign earnings in the amount of R\$43 million. On December 2018, the first administrative instance judged the appeal of the Holding International as unfavorable. Against this decision, an appeal was filed to the second administrative instance.
- 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\$191 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\$75 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\$1,090 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\$94 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\$70 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\$65 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\$3,390 billion, regarding the acquisition of Banco Bamerindus do Brasil (current Banco Sistema) in 2014. On October 2019, an appeal was filed on the first administrative instance, of which awaits trial. 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.

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ii. Provision for other contingent liabilities

As at the period ended September 30, 2019 and December 31, 2018, 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:

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Income tax and social contribution				
Tax base	1,183,247	(40,320)	3,304,993	1,060,534
Total charge of income tax and social contribution at the current rates	(473,431)	18,163	(1,322,129)	(477,222)
Permanent (additions) / deductions in taxation calculation	98,277	(325,496)	787,569	(841,056)
Equity pick up in associated and jointly controlled companies in Brazil	(67,360)	68,763	(87,588)	246,558
Interest on equity	249,600	(270,433)	491,400	-
Dividends	6,104	16,860	23,359	19,568
Fair value of securities and derivatives	53,562	(403,772)	689,807	(1,170,070)
Allowance for loan losses	(72,225)	6,207	(176,011)	(60,506)
Other non-deductible expenses net of non-taxable income	(71,404)	256,879	(153,398)	123,394
Tax and social contribution expense	(375,154)	(307,333)	(534,560)	(1,318,278)
(Expenses) / Revenues from deferred taxes	189,502	346,821	(118,532)	1,483,791
Total revenues / (expenses)	(185,652)	39,488	(653,092)	165,513

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 presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	31/12/2018	Recognition	Realization (i)	30/09/2019
Tax loss	1,488,833	459,917	(8,698)	1,940,052
Interest on equity	241,800	350,000	(481,800)	110,000
Allowance for loan losses	669,902	143,979	-	813,881
Fair value of securities and derivatives	2,490,288	-	(698,728)	1,791,560
Tax contingencies and provision for suspended-payment taxes	213,633	3,998	-	217,631
Other temporary differences	289,287	84,912	-	374,199
Total	5,393,743	1,042,806	(1,189,226)	5,247,323
Income tax and social contribution	31/12/2017	Recognition	Realization (i)	30/09/2018
Tax loss carryforwards	977,349	562,622	(13,920)	1,526,051
Interest on equity	269,968	-	(134,968)	135,000
Allowance for loan losses	618,922	68,532	(8,026)	679,428
Fair value of securities and derivatives	1,931,453	1,114,389	(264)	3,045,578
Tax contingencies and provision for suspended-payment taxes	186,124	223	(18)	186,329
Other temporary differences	427,642	-	(140,053)	287,589
Total	4,411,458	1,745,766	(297,249)	5,859,975

(i) On September 30, 2019, the amount of R\$390,522 (December 31, 2018 – R\$293,979), refers to recovery paid taxes from investments abroad.

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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
2019	393,917	559,990	953,907
2020	713,288	218,401	931,689
2021	524,430	222,980	747,410
2022	611,614	190,562	802,176
2023 onwards	1,064,021	748,120	1,812,141
Total	3,307,270	1,940,053	5,247,323
Present value	2,736,226	1,541,108	4,277,334

Deferred income tax and social contribution liabilities amounts to R\$73,318 (December 31, 2018 - R\$78,613), according to note 16(b).

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.

19.Shareholders equity

a. Capital

As at September 30, 2019, fully subscribed and paid in capital consists of 2,637,236,572 shares (December 31, 2018 – 2,637,236,572), of which 1,731,276,922 are common shares (December 31, 2018 – 1,731,276,922), 556,603,310 are class A preferred shares (December 31, 2018 – 456,603,310), 349,356,340 are class B preferred shares (December 31, 2018 – 449,356,340), registered 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.

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 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.

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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 period ended September 30, 2019, the Bank bought its own units, in the amount of R\$10,730, equivalent to 215,100 units. (December 31, 2018 - R\$328,085, equivalent to 15,919,600 units). On the period ended September 30, 2019 there were no units cancelled (December 31, 2018 - R\$292,604, equivalent to 14,788,400 units cancelled). On September 30, 2019, 6,573,900 units were held in treasury, in the amount of R\$139,274.

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.

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.

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.

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As at December 27, 2018 the Bank has accrued R\$604,500, relating to interest on equity, equivalent to R\$0.23 per share, which generated R\$241,800 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 27, 2018 and the payment occurred on February 28, 2019.

As at August 7, 2018 the Bank has accrued R\$592,500, relating to interest on equity, equivalent to R\$0.22 per share, which generated R\$266,625 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 7, 2018, and the payment occurred on August 22, 2018.

g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income			
			Quarter ended:		Nine-month period ended:	
	30/09/2019	31/12/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Banco BTG Pactual S.A.	20,766,632	18,790,469	621,137	266,839	2,292,464	491,263
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	54,465	-	-	-	-
Others (ii)	-	-	381,419	318,662	356,688	1,317,069
Banco BTG Pactual S.A. Consolidated	20,821,097	18,844,934	1,002,556	585,501	2,649,152	1,808,332

- (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.
- (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.

20. Income from services rendered

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Management and performance fee from investment funds and portfolios	201,574	189,212	701,666	525,912
Professional services	305,145	155,917	728,336	487,171
Brokerage	88,473	44,385	233,910	160,847
Guarantees	76,802	67,056	205,383	194,155
Commission over securities placement	147,410	34,779	294,265	165,973
Other services	5,865	1,679	9,036	5,498
Total	825,269	493,028	2,172,596	1,539,556

21. Other operating income

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Adjustment of amounts receivable for acquisition of investments	6,527	9,233	52,669	105,510
Foreign exchange rate gains	19,233	96,351	77,455	232,625
Reversal of provision - contingencies	12,775	191,727	45,230	280,331
Monetary correction over judicial deposits	14,405	26,223	46,144	66,454
Recovery of charges and expenses	847	599	2,875	1,063
Reversal of provision - other	1,026	2,456	9,879	5,325
Other operating income	884	12,319	17,248	36,604
Total	55,697	338,908	251,500	727,912

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22. Other operating expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Tax restatement expense	2,302	5,475	4,527	18,479
Foreign exchange rate losses	10,169	79,391	65,394	181,337
Allowance for other receivables without loan characteristics	14,296	11,424	43,374	37,615
Adjustment of amounts payable for acquisition of investments	5,337	19,159	70,356	56,269
Allowance for guarantee	-	513	17	2,302
Provision for contingent	33,802	37,430	79,969	84,306
Discounts granted in credit renegotiation	331	-	501	19,672
Other	2,810	(4,940)	13,337	13,588
Total	69,047	148,452	277,475	413,568

23. Other administrative expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Outsourced services and consulting	123,671	72,340	309,572	260,547
Telecommunications and data processing	87,162	68,130	237,820	188,269
Leases and condominiums	25,026	24,845	72,753	71,982
Expenses of the financial system	55,328	92,264	150,958	171,448
Advertising and public relations	26,943	13,883	72,660	46,004
Depreciation and amortization	14,565	14,362	43,841	42,923
Travel and lodging	14,932	10,811	38,899	32,378
Other	12,179	31,124	22,472	74,447
Total	359,806	327,759	948,975	887,998

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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Assets						
Interbank investments deposits	-	-	533,796	237,835	533,796	237,835
Derivative financial instruments	-	-	15,861	201,230	15,861	201,230
Loans and Receivables	3,526,527	3,166,210	-	-	3,526,527	3,166,210
Sundry	-	-	-	10,102	-	-
Liabilities						
Time deposits	(118,312)	(120,390)	-	(1,402,229)	(118,312)	(1,522,619)
Derivative financial instruments	-	-	(246,096)	-	(246,096)	-
Open market funding	-	-	(59,998)	-	(59,998)	-
Funds from securities issued and accepted	(2,514,339)	-	-	-	(2,514,339)	-
Sundry	-	-	(15,861)	-	(15,861)	-
	Parent company		Subsidiaries and joint controlled entities		Total	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Statements of income						
Financial income	-	-	19,263	185,056	19,263	185,056
Financial expenses	(12,960)	(12,654)	(4,161)	(42,571)	(17,121)	(55,225)
Other operating income / (expenses)	-	-	(57,807)	1,899	(57,807)	1,899

(i) Includes natural person.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

Total compensation paid to key management personnel totaling this period R\$10,770 (September 30, 2018 – R\$45,688) which is considered short term benefit.

25. Other information

a. Cash and cash equivalents

	31/12/2018	31/12/2017
Balances at beginning of the period		
Cash and cash equivalents	979,185	4,347,209
Open market investments	23,075,514	17,683,903
Interbank deposits	2,604,551	1,169,893
Total	26,659,250	23,201,005
Balances at end of the period		
Cash and cash equivalents	1,056,632	931,901
Open market investments	21,583,354	41,656,281
Interbank deposits	1,666,429	2,717,166
Total	24,306,415	45,305,348

b. Commitments and responsibilities

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

	30/09/2019	31/12/2018
Co-obligation and risks for guarantees granted	33,503,644	36,834,176
Responsibility for the management of futures and investment portfolio (i)	272,950,001	224,021,170
Securities	151,922,855	41,286,789
Securities under custody	1,171,955,094	2,697,667,631
Securities trading and brokerage	2,856,062,265	1,009,734,796
Loans contract to release	1,792,201	2,413,612
Commitments to be released	13,200	37,500

(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.

“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.

Consolidated Financial Statements
Banco BTG Pactual S.A. and subsidiaries

December 31, 2018

with independent auditor's report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2018

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A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statements prepared 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 the 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 balance sheet as of December 31, 2018, and the related statements of 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, 2018 and its financial performance and its 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.

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 of Accountant and professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Foreign subsidiary equity pickup

As mentioned on the consolidated financial statements footnote nº13, the Bank holds investments on EFG International ("EFG"), but has no timely access on the financial information of this subsidiary before its consolidated financial statements is released. Therefore, the equity pickup is recognized in a period longer than allowed by the rules from the Central Bank of Brazil, as well as 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

At December 31, 2018, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 2.9 billion, substantially recognized based on study of the current and future scenarios approved by the 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 opinion 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 management to use pricing models and 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 as one of the main audit matters.

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 on footnotes 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 loan losses

The Bank has a corporate credit portfolio, for which management uses its judgment in determining the allowance for loan losses in accordance with the CMN Resolution no. 2682/1999. We consider it as a key audit matter, due to the subjectivity involved in the determination of the allowance for loan losses, which requires the considerations of, among other factors, recoverable value of corresponding loans, both at the individual-loan and economic-group levels, financial-economic of 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 by borrowers and subsequently the rating, through models and assumptions adopted by management, based on data and market assumptions, when available; (iii) measurement of guarantees; (iv) monitoring of renegotiated transactions; and (v) the adequacy of footnote disclosures. In addition, we evaluated the adequacy of the disclosures on footnote 10 to the Bank's consolidated financial statements.

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

Related party transactions

The Bank is part of an organizational structure with several legal entities, in Brazil and abroad. It carries out transactions with these related parties within its operations. Due to the number of related parties, the volume, and the inherent risk associated to these transactions, we considered them to be one of the key audit matters.

How our audit addressed the matter

Our audit procedures included, among others, the 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 related parties with the Bank. Additionally, we audited, on a sample basis, the transactions among related parties and the respective eliminations, when applicable, on the consolidated financial statements. In addition, we evaluated the adequacy of the disclosures on footnote 24 to the Bank's 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 the volume and complexity, the operations of the Bank are highly dependent on the proper functioning of the IT structures and its systems. Therefore, we considered the IT environment as one of the 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 processes of managing changes 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 nature, time and extent of our audit substantive testing.

Other matters

Separate financial statements

The Bank has prepared a full set of separate financial statements for the year ended December 31, 2018 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 audit opinion, containing the same emphasis paragraph described above, dated February 22, 2019.

Statement of value added

The statement of value added (SVA), for the year ended December 31, 2018, prepared under the responsibility of Bank's 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 - Statement 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 were consistent with the consolidated financial statements taken as a whole.



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 from 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, and includes Management, Audit Committee and Board of Directors.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- Evaluate 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 determine those matters that were of most significant in the audit of the consolidated financial statements of the current period 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 22, 2019.

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



Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December 31

(In thousands of reais)

	Note	2018	2017
Assets			
Current assets		101,916,558	92,212,056
Cash at banks	6	979,185	4,347,209
Short-term interbank investments	7	43,299,438	27,196,779
Open market investments		40,611,218	25,973,105
Interbank deposits		2,688,220	1,223,674
Securities and derivative financial instruments		26,062,423	34,520,034
Own portfolio	8	14,739,806	15,151,347
Subject to repurchase agreements	8	5,923,584	4,761,945
Subject to unrestricted repurchase agreements	8	30,823	144,227
Derivative financial instruments	9	2,678,010	12,585,309
Subject to guarantees	8	2,690,200	1,877,206
Interbank transactions		1,446,186	1,473,007
Deposits in the Central Bank of Brazil		1,446,186	1,473,007
Loans	10	7,363,671	5,205,606
Loans		7,554,519	5,368,754
Transferred loans with coobligation		300	314,572
Allowance for loan losses		(191,148)	(477,720)
Other receivables		22,710,490	19,427,313
Foreign exchange portfolio	11	17,425,255	12,007,708
Income receivable	12	927,264	2,509,963
Securities trading and brokerage	11	3,877,204	3,598,367
Sundry	12	505,344	1,338,588
Allowance for losses on other receivables	10	(24,577)	(27,313)
Other assets		55,165	42,108
Other assets		4,384	2,852
Prepaid expenses		50,781	39,256
Long-term-assets		26,533,331	28,842,178
Long-term interbank investments	7	197,747	595,508
Open market investments		197,747	595,508
Securities and derivative financial instruments		3,929,281	7,767,998
Own portfolio	8	936,337	1,059,468
Derivative financial instruments	9	1,124,875	1,859,531
Subject to repurchase agreements	8	583,784	3,968,413
Subject to guarantees	8	1,284,285	880,586
Interbank transactions		189,446	230,635
Restricted credits – National Housing System		189,446	230,635
Loans	10	10,855,889	7,820,597
Loans		11,296,335	7,957,839
Transferred loans with coobligation		5,218	118,955
Allowance for loan losses		(445,664)	(256,197)
Other receivables		11,156,945	12,342,353
Sundry	12	11,475,108	12,452,651
Allowance for losses on other receivables	10	(318,163)	(110,298)
Other assets		204,023	85,087
Temporary investments		100	52,249
Other assets		260,816	105,067
Prepaid expenses		24,431	9,494
Provision for losses on other assets		(81,324)	(81,723)
Permanent assets		9,196,536	5,537,378
Investments		8,884,999	5,248,783
Investments in associates and jointly controlled entities - in Brazil	13	1,996,651	1,644,342
Investments in associates and jointly controlled entities - abroad	13	6,865,936	3,575,241
Other investments		26,969	33,661
Allowance for losses in investments		(4,557)	(4,461)
Property and equipment in use		79,601	82,762
Property in use		5,473	5,177
Other property and equipment in use		268,834	257,210
Accumulated depreciation		(194,706)	(179,625)
Intangible assets	14	231,936	205,833
Other intangible assets		497,919	1,488,396
Accumulated amortization		(265,983)	(1,282,563)
Total assets		137,646,425	126,591,612

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)

	Note	2018	2017
Liabilities			
Current liabilities		87,410,057	77,238,309
Deposits	15	19,343,084	8,303,306
Demand deposits		287,303	441,320
Interbank deposits		294,814	111,108
Time deposits		18,760,967	7,750,878
Open market funding	15	35,183,034	31,236,529
Own portfolio		6,279,037	8,379,518
Third-party portfolio		22,077,242	19,026,548
Free trading portfolio		6,826,755	3,830,463
Funds from securities issued and accepted	15	3,038,973	2,682,894
Real estate, mortgage, credit and similar notes		2,794,574	2,533,872
Securities issued abroad		171,152	72,753
Certificates of structured transactions		73,247	76,269
Interbank transactions		6,804	5,388
Unsettled receipts and payments		6,804	5,388
Interdependencies transactions		74,926	24,356
Unsettled third party assets		74,926	24,356
Loans and borrowings	15	1,925,453	1,302,170
Loans abroad		1,823,487	1,231,495
Borrowings in Brazil		101,966	70,675
Derivative financial instruments	9	1,644,030	12,221,661
Derivative financial instruments		1,644,030	12,221,661
Other liabilities		26,193,753	21,462,005
Collection and payments of tax and similar charges		5,639	8,148
Foreign exchange portfolio	11	16,480,025	11,773,803
Social and statutory	16	1,231,290	1,290,707
Tax and social security	16	485,211	2,480,875
Securities trading and brokerage	11	5,200,827	4,232,583
Subordinated debt	15	1,667,853	1,289,040
Sundry	16	1,122,908	386,849
Long-term liabilities		31,122,733	30,576,631
Deposits	15	1,607,003	875,007
Interbank deposits		83,596	25,732
Time deposits		1,523,407	849,275
Open market funding	15	391,952	2,653,692
Own portfolio		-	929,358
Third-party portfolio		147,110	29,190
Free trading portfolio		244,842	1,695,144
Funds from securities issued and accepted	15	11,357,330	7,606,652
Real estate, mortgage, credit and similar notes		6,611,552	3,813,695
Securities issued abroad		4,641,156	3,792,957
Certificates of structured transactions		104,622	-
Loans and borrowings	15	3,044,157	3,427,755
Loans abroad		358,948	688,623
Loans in Brazil		-	75,391
Borrowings in Brazil		2,685,209	2,663,741
Derivative financial instruments	9	1,169,438	1,940,111
Derivative financial instruments		1,169,438	1,940,111
Other liabilities		13,552,853	14,073,414
Tax and social security	16	309,395	91,568
Subordinated debt	15	3,598,303	5,028,197
Debt instrument eligible to capital	15	3,579,529	3,043,309
Sundry	16	6,065,626	5,910,340
Deferred income		130,030	120,573
Non-controlling interest		138,671	132,407
Shareholders' equity	19	18,844,934	18,523,692
Capital		7,392,092	7,392,092
Capital Reserve		652,515	652,515
Asset valuation adjustment		103,187	114,992
Income reserves		10,825,684	10,457,156
Treasury shares		(128,544)	(93,063)
Total Liabilities and Shareholders' equity		137,646,425	126,591,612

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	2018	2017
Financial income		9,893,381	9,523,750
Loans		1,339,460	1,529,696
Securities		5,934,070	5,873,294
Derivative financial instruments		2,069,862	1,596,710
Foreign Exchange		435,618	376,675
Mandatory investments		114,371	147,375
Financial expenses		(7,092,925)	(5,633,242)
Funding operations		(5,318,077)	(5,172,719)
Borrowing and onlending		(1,628,772)	(567,277)
Allowance for loan losses and other receivables	10	(146,076)	106,754
Net financial income		2,800,456	3,890,508
Other operating expenses		208,594	(2,117,374)
Income from services rendered	20	2,171,683	1,596,964
Personnel expenses		(776,780)	(648,870)
Other administrative expenses	23	(1,212,453)	(2,679,732)
Tax charges		(296,291)	(240,654)
Equity earnings of associates and jointly controlled entities	13	36,542	4,800
Other operating income	21	589,679	895,478
Other operating expenses	22	(303,786)	(1,045,360)
Operating income		3,009,050	1,773,134
Non-operating (expenses) / income		137,807	4,740
Income before taxation and profit sharing		3,146,857	1,777,874
Income tax and social contribution	18	(152,859)	1,287,192
Provision for income tax		(657,506)	(159,982)
Provision for social contribution		(589,337)	(42,632)
Deferred income tax and social contribution		1,093,984	1,489,806
Statutory profit sharing		(626,276)	(689,064)
Non-controlling interest		(6,938)	7,861
Net income for the year	19	2,360,784	2,383,863
Interest on equity	19	(1,196,595)	(1,223,705)
Weighted average numbers of share outstanding		2,670,783,956	2,735,818,843
Net income per share - R\$		0.88	0.87

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)

		Income reserves						Asset
	Note	Capital	Capital reserve	Legal	Unrealized	Statutory	Total	valuation
								adjustments
Balances as at December 31, 2016		7,220,526	652,515	1,078,199	3,236,533	5,516,059	9,830,791	39
Capital increase	19	171,566	-	-	-	-	-	
Own shares acquired	19b	-	-	-	-	-	-	
Cancellation of treasury shares	19b	-	-	-	-	(467,748)	(467,748)	
Interest on equity received by on shares repurchase		-	-	-	-	-	-	
Changes in fair value of assets available for sale		-	-	-	-	-	-	58
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	51
Currency translation adjustments		-	-	-	-	-	-	278
Foreign Investment hedge		-	-	-	-	-	-	(313,
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	
Adjustments by previous years		-	-	-	-	-	-	
Net income for the year		-	-	-	-	-	-	
Net income allocation								
Income reserve		-	-	103,308	(432,713)	1,373,174	1,043,769	
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	
Balances as at December 31, 2017		<u>7,392,092</u>	<u>652,515</u>	<u>1,181,507</u>	<u>2,803,820</u>	<u>6,421,485</u>	<u>10,406,812</u>	<u>114</u>
Own shares acquired	19b	-	-	-	-	-	-	
Cancellation of treasury shares	19b	-	-	-	-	(292,604)	(292,604)	
Interest on equity received by on shares repurchase		-	-	-	-	-	-	
Changes in fair value of assets available for sale		-	-	-	-	-	-	(52,
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	180
Currency translation adjustments		-	-	-	-	-	-	942
Foreign Investment hedge		-	-	-	-	-	-	(1,082,
Intermediate interest on equity (R\$0.22 per share)	19	-	-	-	-	-	-	
Changes in accounting practices of associates	2	-	-	-	-	(507,176)	(507,176)	
Net income for the year		-	-	-	-	-	-	
Net income allocation								
Income reserve		-	-	63,945	(131,045)	1,231,287	1,164,187	
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	
Balances as at December 31, 2018		<u>7,392,092</u>	<u>652,515</u>	<u>1,245,452</u>	<u>2,672,775</u>	<u>6,852,992</u>	<u>10,771,219</u>	<u>103</u>

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

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	2018	2017
Operating activities			
Net income for the year		2,360,784	2,383,863
Adjustments to net income		194,018	(146,029)
Equity pick up from associates and jointly controlled entities	13	(36,542)	(4,800)
Interest expense with subordinated debt		1,347,933	1,136,022
Deferred income tax and social contribution		(1,093,984)	(1,489,806)
Goodwill amortization	22	-	166,023
Goodwill exchange variation	14	(63,258)	(7,942)
Permanent assets exchange variation		(16,814)	(10,740)
Depreciation and amortization	23	56,683	65,214
Adjusted net income for the year		2,554,802	2,237,834
(Increase)/decrease in operational activities			
Short-term interbank investments		(8,878,629)	(1,489,745)
Securities and derivative financial instruments		(3,043,534)	1,302,376
Loans		(5,193,357)	(3,552,093)
Other receivables and other assets		(1,135,773)	2,123,170
Interbank transactions		69,426	532,005
Interdependencies transactions		50,570	(58,246)
Other liabilities		4,730,523	452,891
Deferred income		9,457	(21,210)
Deposits		11,771,774	1,491,799
Open market funding		1,684,765	8,986,248
Loans and borrowings		239,685	1,185,103
Cash provided by operating activities		2,859,709	13,190,132
Investing activities			
Sale of other investment		6,788	(13,498)
Acquisition / sale of equity interests	13	(346,595)	985,824
Dividends and interest on equity received	13	217,232	323,081
Acquisition / sale of property		(2,529)	(3,532)
Acquisition / sale of intangible assets	14	2,973	(24,600)
Cash (used in) / provided by investing activities		(122,131)	1,267,275
Financing activities			
Acquisition of treasury shares		(328,085)	(489,977)
Funds from securities issued and accepted		4,106,757	(46,156)
Subordinated debt and debt instrument eligible to equity		(1,862,794)	(3,363,668)
Non-controlling interest		6,264	2,813
Interest on equity	19	(1,201,475)	(1,504,728)
Capital increase	19	-	171,566
Cash provided by / (used in) financing activities		720,667	(5,230,150)
Increase in cash and cash equivalents		3,458,245	9,227,257
Balance of cash and cash equivalents	25		
At the beginning of the year		23,201,005	13,973,748
At the end of the year		26,659,250	23,201,005
Increase in cash and cash equivalents		3,458,245	9,227,257
Non-cash transaction		2,605,063	1,160,648
Interest on equity received by own shares repurchase		403	15,272
Interest on equity payable		(604,500)	(608,977)
Acquisition / Increase/ Transfer of equity interests		3,261,401	1,696,275
Changes in fair value of assets available for sale		(52,241)	58,078

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)

	Note	2018	2017
Income		12,488,764	11,120,714
Financial brokerage		9,893,381	9,523,750
Services rendered	20	2,171,683	1,596,964
Other		423,700	-
Expenses		(7,092,925)	(5,778,384)
Financial brokerage		(6,946,849)	(5,739,996)
Allowance for loan losses and other receivables	10	(146,076)	106,754
Other		-	(145,142)
Inputs acquired from third parties		(1,069,821)	(2,532,155)
Materials, energy and other		(12,950)	(12,434)
Outsourced services		(1,056,871)	(2,519,721)
Gross value added		4,326,018	2,810,175
Depreciation and amortization	23	(56,683)	(65,214)
Net value added produced by the entity		4,269,335	2,744,961
Value added received through transfer		36,542	4,800
Equity in the earnings of associates and jointly controlled entities		36,542	4,800
Value added to be distributed		4,305,877	2,749,761
Distribution of value added		4,305,877	2,749,761
Personnel		1,403,055	1,337,934
Direct compensation		1,172,758	1,161,066
Benefits		133,000	95,675
FGTS – government severance pay fund		96,552	81,193
Other		745	-
Taxes, fees and contributions		449,150	(1,046,538)
Federal		299,138	(1,113,783)
Municipal		150,012	67,245
Remuneration of third party capital		85,950	82,363
Rent expenses		85,950	82,363
Remuneration of shareholders		2,367,722	2,376,002
Retained earnings		1,164,187	1,160,158
Interest on equity		1,196,597	1,223,705
Non-controlling interest		6,938	(7,861)

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, 2018

(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 relating to commercial, including exchange, investment portfolios, credit, financing, leasing, insurance and real estate loans.

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

New unit programs

On February 14, 2017 the Board of Directors approved two new unit programs, whose units will be traded on the B3 S.A., representing exclusively the securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by the Bank, and (ii) units to be traded under the PPLA11 ticker symbol, comprised of one Brazilian depositary receipt ("BDR") representing one class A share and two BDR representing class B shares issued by PPLA Participations Ltd (previously named BTG Pactual Participations Ltd).

In August 2017, considering a notice from B3 S.A., regarding the trading price of PPLA11 units approaching R\$1.00 per unit, the Companies analyzed potential structure to meet requirements of the applicable regulation.

The Board of Directors of the Companies approved, the automatic migration of all currently remaining BBTG11 unit holders to the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for PPLA Participations LTD investors. Each holder of a BBTG11 unit as of the end of the trading session on August 18, 2017, starting from the beginning of the trading session on August 21, 2017, automatically hold one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit previously held by such holder, without any other significant change to such holders.

2. Corporate reorganization and acquisitions

Corporate events

On October 26, 2018, BTG Pactual concluded a corporate reorganization through which 1,502,975,267 common shares and 449,356,340 Class B preferred shares of its issuance and held by BTG Pactual Holding S.A. - current direct controlling shareholder of the Bank - were contributed to the capital of BTG Pactual Holding Financeira Ltda., a company in which BTG Pactual Holding S.A. holds approximately 99.9% of the quotas representing its share capital, and whose corporate purpose is exclusively the equity interest in financial institutions and other institutions authorized by the Central Bank of Brazil.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

The corporate reorganization aims to align BTG Pactual Holding S.A. structure, as provided for in applicable legislation, and did not entail any change in its participation in the Bank.

On November 2017, Banco Pan S.A. approved a capital increase in the amount of R\$400 million. CaixaPar assigned to Banco its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on February, 2018.

On April 20, 2018, Banco Pan SA informed its shareholders and the market in general that the capital increase of the company authorized by its Board of Directors was approved by the Central Bank of Brazil on February 7, 2018. After the capital increase, BTG Pactual now holds approximately 577,662 shares issued by Banco Pan SA, corresponding to 50.6% of its Capital Stock.

On October 27, 2017, the Bank approved the merger of Thor Comercializadora de Energia S.A., a company whose main activity is the sale of energy, and BTG Pactual Serviços Energéticos Ltda, a company that provides financial administrative services involving the sale of energy. The merger was concluded on March 29, 2018.

On January 2017, the shareholders of BTG Pactual approved without qualification, the merger of BTG Pactual Comercializadora de Energia Ltda by the Bank. On May 31, 2017, the BTG Comercializadora de Energia Ltda was merged by BTG Pactual.

During the year ended December 31, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.62% of its own shares held by the Bank. The total consideration paid was US\$251 million and the price was equivalent to Engelhart CTP's net asset accounting value. On December 31, 2018 the Group has a stake equivalent to 19.03% of Engelhart CTP (December 31, 2017 – 19.44%). During the year ended on December 31, 2018, Engelhart CTP did not acquire its own shares held by the Bank.

Acquisitions and disposals

After the issuance of EFG International ("EFG") financial statements for the year ended December 31, 2017, on February 27, 2018, BTG Pactual became aware of EFG decision to change its accounting practices to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, the EFG recognized a reduction in its shareholders' equity corresponding to CHF493.9 million, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R\$503 million as a reduction of the Statutory Reserve.

On March 15, 2017, BTG Pactual received a notification from EFG claiming purchase price adjustments under the documents for the sale of BSI, of approximately CHF278 million in favor of EFG International ("EFG"). After careful review of such proposed adjustments and based on available information as at this date, BTG Pactual, after taking into consideration the input from its advisers, concluded the appropriate adjustment on a risk-adjusted basis could be CHF95.7 million in favor of BTG Pactual. On July 17, 2017, after negotiation with EFG, the Bank has agreed to return CHF 89 million of the amount previously paid by EFG. The resolution of this matter includes the CHF 95 million fine previously imposed by FINMA on BSI.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

On October 31, 2017, BW Properties S.A., through its subsidiary BW1 Morumbi Empreendimento Imobiliário Ltda., concluded the sale of the remaining portion of the WT Morumbi project for a total amount of R\$ 231.8 million.

On October 5, 2017, the Bank acquired Novaportfólio Participações S.A., a company that holds certain NPL assets of Banco BVA S.A. in connection with its extrajudicial liquidation, for a consideration of R\$211 million.

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 financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE), except Novaportfólio.

The preparation of the 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 record 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 the fair value measurement of 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 and its subsidiaries periodically review these estimates and assumptions.

The consolidated financial statements were approved by the Bank's management on February 22, 2019, 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.

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 investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities are recognized in investments.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

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

		Equity interest - %	
	Country	2018	2017
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
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	75.54	73.93
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.91	99.84
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	-
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
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 Pactual Asia Limited	Hong Kong	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
Infra IX Empreendimentos e Participações S.A.	Brazil	-	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 Capital 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 Seguros de Vida	Chile	100.00	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	99.70	99.70
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

	Country	Equity interest - %	
		2018	2017
Bamerindus Participações e Empreendimentos S.A.	Brazil	-	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	-	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	100.00	100.00
TTG Forestry Services LLC	USA	100.00	100.00
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Real Estate Luxembourg Holding S.A.	Luxembourg	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	-
Engelhart CTP Absolute Return Limited	Cayman	100.00	-
Lutece Holdings Ltd.	Bermuda	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	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	100.00	100.00
FIM CP Energy	Brazil	51.48	-
FIM CP Vitória Fidelis	Brazil	100.00	-
FIDC NP Alternative Assets II	Brazil	100.00	-

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) stockholders' 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

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 asset and liability transactions

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, 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 under the following categories:

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 nor 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

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.

The 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 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 the statements of income.
- 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 the statement 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 stockholders' equity, and reclassified to income for the period in the event of the disposal of the foreign operation. The ineffective portion is recognized in statements of income for the period.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

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 against their results.

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 recorded in memorandum accounts.

f. 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.

g. 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 sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

h. 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

i. Allowance for loan losses

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

- Allowances are recorded for loans, based on the classification of the client's risk, 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 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.

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions 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, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the Company 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 benefit are expected from their disposal.

k. 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.

l. Foreign currency translation

See note 3b.

m. 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.

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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 jointly controlled entities, and in deferred income to subsidiaries.

n. Property and equipment in use and deferred charges

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

o. 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. Comprised by (i) goodwill paid in acquisition transferred to intangible asset 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.

p. 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 bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

q. 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.

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

Recognized according to the criteria described below:

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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 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

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

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Bank's committee/area structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. 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 our 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.

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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

	2018	2017
Reference Shareholders' Equity	18,790,469	18,473,348
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	18,844,934	18,527,813
Tier I	13,073,230	14,773,238
Common Equity	9,519,308	11,752,635
Complementary Equity	3,553,922	3,020,603
Tier II	1,813,130	2,369,416
Reference Shareholders' Equity (PR) - (a)	14,886,360	17,142,654
Required Reference Shareholders' Equity (PRE)	7,751,994	8,787,351
Total exposure risk-weighted - (b)	89,878,195	94,998,390
Credit risk	52,997,712	56,089,429
Operational risk	4,370,623	4,615,858
Market risk	32,509,860	34,293,103
Basel ratio - (a/b)	16.6%	18.0%
Tier I capital	14.6%	15.5%
Tier II capital	2.0%	2.5%
Fixed assets ratio	96.5%	61.6%
Fixed assets to equity capital ratio	7,434,944	8,562,702
Status for fixed assets to equity capital ratio	7,176,296	5,272,947
Amount of margin (insufficiency)	258,648	3,289,755

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, 2018 and 2017, the Bank was in compliance with all operating limits.

b. Market 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.

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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 year ended:

In millions of R\$	December 2018	December 2017	December 2016
Daily average VaR	82.7	120.3	141.3

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.

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 carefully 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.

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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.

6. Cash at banks

Cash at banks refers basically to deposits abroad in prime banks.

7. Interbank investments

	2018					2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	40,808,965	37,702,223	2,908,995	89,527	108,220	26,568,613
Own portfolio	12,334,671	11,880,848	453,823	-	-	3,107,558
Federal government bonds	12,051,604	11,614,568	437,036	-	-	2,940,700
Corporate bonds	226,991	210,204	16,787	-	-	166,858
Foreign private securities	55,368	55,368	-	-	-	-
Foreign government bonds	708	708	-	-	-	-
Third-party portfolio	22,105,908	20,618,265	1,289,896	89,527	108,220	18,808,858
Federal government bonds	21,877,628	20,618,265	1,156,501	21,241	81,621	18,711,441
Foreign private securities	69,094	-	60,656	8,438	-	-
Corporate bonds	159,186	-	72,739	59,848	26,599	97,417
Short position	6,368,386	5,203,110	1,165,276	-	-	4,652,197
Federal government bonds	6,347,237	5,181,961	1,165,276	-	-	4,652,197
Corporate bonds	6,562	6,562	-	-	-	-
Foreign government bonds	14,587	14,587	-	-	-	-
Interbank investments (*)	2,688,220	2,608,468	79,752	-	-	1,223,674
Interbank deposit certificates	234,582	154,830	79,752	-	-	497,524
Investments in foreign currency - overnight	2,453,638	2,453,638	-	-	-	726,150
Total	43,497,185	40,310,691	2,988,747	89,527	108,220	27,792,287

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

The collateral received in repurchase agreements amounts to R\$41,756,800 (December 31, 2017 - R\$34,410,680), whereas the collateral granted amounts to R\$37,373,792 (December 31, 2017 - R\$33,951,141).

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8. Securities

a. By type of portfolio

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

	2018							2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	15,685,492	15,676,143	9,061,456	464,445	938,439	1,086,883	4,124,920	16,210,815
Federal government bonds	2,428,520	2,432,809	721,808	113,770	539,610	400,257	657,364	1,081,671
Debentures/Eurobonds (i)	741,840	601,725	12,102	40,826	82,431	216,505	249,861	776,075
Investment fund quotes								
Shares	59,683	59,686	59,686	-	-	-	-	-
Multimarket	2,411,183	2,411,183	2,405,852	-	-	-	5,331	5,030,807
FIDC - Credit Rights	141,459	141,459	141,459	-	-	-	-	49,913
Real Estate	133,463	133,476	99,496	-	-	-	33,980	57,107
Equity Investment fund	295,037	295,037	295,037	-	-	-	-	398,113
Shares	4,170,115	4,284,301	4,284,301	-	-	-	-	5,524,664
Certificate of real estate								
receivables	39,701	37,304	-	-	9,965	883	26,456	380,060
Other	409,731	409,099	319,738	60,201	-	-	29,160	-
Foreign government bonds	2,374,555	2,389,178	346,085	46,551	89,007	328,051	1,579,484	944,887
Foreign private securities	2,480,205	2,480,886	375,892	203,097	217,426	141,187	1,543,284	1,967,518
Unrestricted portfolio	29,933	30,823	-	-	-	14,893	15,930	144,227
Federal government bonds	29,933	30,823	-	-	-	14,893	15,930	144,227
Subject to repurchase agreements	6,582,445	6,507,368	228,466	4,322,824	711,366	568,118	676,594	8,730,358
Federal government bonds	4,743,339	4,747,143	-	4,064,272	318,452	364,419	-	6,729,304
Foreign government bonds	708,460	703,074	-	227,267	200,573	-	275,234	1,255,784
Foreign private securities	447,320	442,082	228,466	-	6,241	1,914	205,461	162,356
Debentures (i)	683,326	615,069	-	31,285	186,100	201,785	195,899	582,914
Subject to guarantees	3,990,880	3,974,485	1,907,892	97,165	1,510,383	167,471	291,574	2,757,792
Federal government bonds	1,877,558	1,877,978	283,913	84,393	1,421,406	88,266	-	1,531,613
Investment fund quotes								
Multimarket	628,599	628,599	628,599	-	-	-	-	352,549
Debentures (i)	169,824	168,575	7,687	-	81,683	79,205	-	-
Bank credit certificate	-	-	-	-	-	-	-	54,578
Certificate of real estate								
receivables	318,018	291,574	-	-	-	-	291,574	14,463
Shares	954,042	964,920	964,920	-	-	-	-	768,404
Foreign private securities	42,839	42,839	22,773	12,772	7,294	-	-	36,185
Trading securities	18,950,791	19,087,188	10,569,506	1,215,517	1,938,667	1,223,066	4,140,432	21,447,791
Available for sale securities	3,131,972	2,895,644	628,308	294,753	389,698	614,299	968,586	1,925,303
Held-to-maturity securities	4,205,987	4,205,987	-	3,374,164	831,823	-	-	4,470,098
Total	26,288,750	26,188,819	11,197,814	4,884,434	3,160,188	1,837,365	5,109,018	27,843,192

(i) Substantially securities issued by Brazilian companies.

b. Trading securities

	2018							2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	13,770,934	13,901,963	8,487,081	200,977	816,524	753,574	3,643,807	14,926,351
Federal government bonds	2,428,520	2,432,809	721,808	113,770	539,610	400,257	657,364	1,081,671
Debentures/Eurobonds	67,715	71,163	12,102	-	12	2,814	56,235	363,350
Investment fund quotes								
Shares	59,683	59,686	59,686	-	-	-	-	-
Multimarket	2,411,183	2,411,183	2,405,852	-	-	-	5,331	5,030,807
FIDC - Credit Rights	141,459	141,459	141,459	-	-	-	-	49,913
Real Estate	133,463	133,476	99,496	-	-	-	33,980	57,107
Equity Investment fund	108,925	108,925	108,925	-	-	-	-	229,527
Shares	4,170,115	4,284,301	4,284,301	-	-	-	-	5,524,664
Certificate of real estate								
receivables	5,232	233	-	-	233	-	-	44,412
Other	10	10	10	-	-	-	-	-
Foreign government bonds	2,216,547	2,230,297	287,059	43,887	76,055	250,298	1,572,998	792,019
Foreign private securities	2,028,082	2,028,421	366,383	43,320	200,614	100,205	1,317,899	1,752,881
Unrestricted portfolio	29,933	30,823	-	-	-	14,893	15,930	144,227
Federal government bonds	29,933	30,823	-	-	-	14,893	15,930	144,227
Subject to repurchase agreements	2,564,517	2,557,697	228,466	956,937	525,266	366,333	480,695	4,513,147
Federal government bonds	1,408,737	1,412,541	-	729,670	318,452	364,419	-	3,095,007
Foreign government bonds	708,460	703,074	-	227,267	200,573	-	275,234	1,255,784
Foreign private securities	447,320	442,082	228,466	-	6,241	1,914	205,461	162,356
Subject to guarantees	2,585,407	2,596,705	1,853,959	57,603	596,877	88,266	-	1,864,066
Federal government bonds	1,006,173	1,006,593	283,913	44,831	589,583	88,266	-	695,812

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	2018						2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years
Investment fund quotes							
Multimarket	582,353	582,353	582,353	-	-	-	-
Bank credit certificate	-	-	-	-	-	-	-
Shares	954,042	964,920	964,920	-	-	-	-
Foreign private securities	42,839	42,839	22,773	12,772	7,294	-	-
Total	18,950,791	19,087,188	10,569,506	1,215,517	1,938,667	1,223,066	4,140,432

c. Available-for-sale securities

	2018						2017
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years
Own portfolio	1,914,558	1,774,180	574,375	263,468	121,915	333,309	481,113
Investment fund quotes							
Equity investment fund	186,112	186,112	186,112	-	-	-	-
Debentures	674,125	530,562	-	40,826	82,419	213,691	193,626
Certificate of real estate receivables	34,469	37,071	-	-	9,732	883	26,456
Foreign government bonds	158,008	158,881	59,026	2,664	12,952	77,753	6,486
Foreign private securities	452,123	452,465	9,509	159,777	16,812	40,982	225,385
Other	409,721	409,089	319,728	60,201	-	-	29,160
Subject to repurchase agreements	683,326	615,069	-	31,285	186,100	201,785	195,899
Debentures	683,326	615,069	-	31,285	186,100	201,785	195,899
Subject to guarantees	534,088	506,395	53,933	-	81,683	79,205	291,574
Debentures	169,824	168,575	7,687	-	81,683	79,205	-
Investment fund quotes							
Multimarket	46,246	46,246	46,246	-	-	-	-
Certificate of real estate receivables	318,018	291,574	-	-	-	-	291,574
Total	3,131,972	2,895,644	628,308	294,753	389,698	614,299	968,586

d. Held-to-maturity securities

	2018					2017
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years
Subject to re purchase	3,334,602	-	3,334,602	-	-	-
Federal government bonds	3,334,602	-	3,334,602	-	-	-
Subject to guarantees	871,385	-	39,562	831,823	-	-
Federal government bonds	871,385	-	39,562	831,823	-	-
Total	4,205,987	-	3,374,164	831,823	-	-

If measured at fair value, held-to-maturity securities would be reported as at the year ended December 31, 2018 with a positive adjustment of R\$42,870 (December 31, 2017 – R\$198,515 positive).

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

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the year ended on December 31, 2018 and 2017.

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9. Derivative financial instruments

The Bank actively engages 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, 2018 and 2017, 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 head office.

	2018		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	13,474,849	(1,082,239)	7,061,816
	2017		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	12,256,669	(313,585)	6,164,992

(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 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. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward ("NDF") and Deliverable Forward ("DF") derivatives in the table below.

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	2018				2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	5,911,146	1,744,034	26,260,802	33,915,982	124,495
Currency	1,773,376	37,564	-	1,810,940	-
Interest rate	3,619,002	1,706,470	26,257,390	31,582,862	-
Index	447,505	-	3,412	450,917	-
Equities	71,263	-	-	71,263	-
Other	-	-	-	-	124,495
Short position	12,805,544	3,992,541	10,246,014	27,044,099	95,275
Currency	1,057,253	35,185	-	1,092,438	-
Interest rate	10,320,955	3,957,356	10,234,397	24,512,708	-
Index	983,128	-	11,617	994,745	-
Equities	444,208	-	-	444,208	-
Other	-	-	-	-	95,275
Swap					
Long position	45,041,486	5,575,497	18,531,305	69,148,288	137,596,593
Currency	1,510,920	177,375	1,396,976	3,085,271	4,581,902
Interest rate	41,089,794	4,962,443	16,266,289	62,318,526	121,745,570
Index	42,114	33,224	347,478	422,816	6,776,035
Equities	1,561,479	178,206	277,232	2,016,917	520,566
Commodities	9,724	2,588	-	12,312	20,831
Other	827,455	221,661	243,330	1,292,446	3,951,689
Short position	45,041,486	5,575,497	18,531,305	69,148,288	137,596,593
Currency	1,617,475	296,147	2,007,916	3,921,538	4,581,903
Interest rate	41,018,115	5,027,713	14,769,862	60,815,690	124,956,799
Index	7,639	95,000	774,499	877,138	6,805,004
Equities	209,178	39,964	234,357	483,499	479,478
Other	2,189,079	116,673	744,671	3,050,423	773,409
Credit Derivatives					
Long position	-	-	84,471	84,471	138,274
Sovereign	-	-	84,471	84,471	-
Corporate	-	-	-	-	138,274
Short position	77,496	-	172,680	250,176	-
Sovereign	77,496	-	13,756	91,252	-
Corporate	-	-	158,924	158,924	-
Non-deliverable forward - NDF					
Long position	32,725,294	3,976,301	11,323,277	48,024,872	70,920,709
Currency	30,778,098	2,274,757	8,776,067	41,828,922	41,513,210
Index	1,947,196	1,701,544	2,547,210	6,195,950	-
Commodities	-	-	-	-	27,434,820
Interest rate	-	-	-	-	1,972,679
Short position	32,725,294	3,976,301	11,323,277	48,024,872	70,920,709
Currency	23,652,082	1,368,671	8,710,367	33,731,120	41,513,210
Index	1,947,196	1,701,544	2,547,210	6,195,950	-
Commodities	-	-	-	-	27,434,820
Interest rate	7,116,152	903,426	65,700	8,085,278	1,972,679
Other	9,864	2,660	-	12,524	-
Deliverable forward - DF					
Long position	-	-	-	-	9,968,321
Currency	-	-	-	-	9,968,321
Short position	-	-	-	-	9,968,321
Currency	-	-	-	-	9,968,321
Security forwards					
Long position	-	-	-	-	1,037,415
Interest rate	-	-	-	-	716,003
Government bonds	-	-	-	-	321,412

BANCO BTG PACTUAL S.A. and subsidiaries

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	2018				2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position	-	-	-	-	1,037,415
Interest rate	-	-	-	-	321,412
Government bonds	-	-	-	-	716,003
Options market					
Call option - long position	5,948,665	688,701	783,536	7,420,902	11,754,348
Equities	1,043,646	517,818	222,213	1,783,677	354,955
Currency	4,625,193	170,883	557,558	5,353,634	8,041,827
Corporate	-	-	-	-	2,492
Index	200,780	-	3,765	204,545	621,380
Interest rate	-	-	-	-	2,733,694
Other	79,046	-	-	79,046	-
Put option - long position	55,882,893	13,715,379	156,539	69,754,811	38,513,893
Equities	3,933,523	8,386	105,384	4,047,293	274,612
Index	-	-	-	-	493,041
Corporate	-	-	-	-	224,922
Currency	6,350,845	13,706,993	51,155	20,108,993	9,927,326
Interest rate	45,598,525	-	-	45,598,525	27,593,992
Call option - short position	1,877,919	392,192	206,487	2,476,598	7,903,951
Equities	130,087	51,878	63,450	245,415	147,153
Currency	1,695,012	265,027	23,125	1,983,164	6,010,753
Index	52,820	75,287	119,912	248,019	1,746,045
Put option - short position	50,523,811	13,689,647	51,158	64,264,616	31,390,297
Equities	242,200	1,157	-	243,357	336,537
Index	441,088	-	-	441,088	82,645
Currency	2,695,952	13,688,490	51,158	16,435,600	5,912,423
Interest rate	47,144,571	-	-	47,144,571	25,058,692

b. By cost and market value

	2018					2017
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	548	548	548	-	-	101,355
Short position	2,969	2,969	2,969	-	-	83,527
Swaps						
Long position	757,941	816,237	149,720	38,824	627,693	1,204,189
Short position	1,294,440	1,318,129	175,430	90,113	1,052,586	1,437,598
Credit derivatives						
Long position	197	13,054	500	-	12,554	142,712
Short position	8,690	12,311	-	-	12,311	46,316
Non-deliverable forward - NDF						
Long position	1,497,504	1,504,793	767,187	403,164	334,442	1,901,085
Short position	737,834	743,548	435,194	233,013	75,341	2,252,027
Deliverable forward - DF						
Long position	-	-	-	-	-	9,738,461
Short position	-	-	-	-	-	9,796,835
Security forwards						
Long position	-	300,971	300,971	-	-	521,056
Short position	-	298,746	298,746	-	-	518,537
Options market						
Long position	1,170,077	1,167,282	941,869	75,227	150,186	835,982
Short position	262,346	437,765	369,053	39,512	29,200	26,932
Long position	3,426,267	3,802,885	2,160,795	517,215	1,124,875	14,444,840
Short position	2,306,279	2,813,468	1,281,392	362,638	1,169,438	14,161,772

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c. Notional by counterparty

	2018					2017
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	33,471,445	444,537	-	-	33,915,982	124,495
Short position	22,233,805	4,810,294	-	-	27,044,099	95,275
Swap						
Long position	904,490	66,245,278	1,976,110	22,410	69,148,288	137,596,593
Short position	904,490	66,245,278	1,976,110	22,410	69,148,288	137,596,593
Credit derivatives						
Long position	-	84,471	-	-	84,471	138,274
Short position	-	250,176	-	-	250,176	-
Non-deliverable forward - NDF						
Long position	-	37,469,327	10,348,352	207,193	48,024,872	70,920,709
Short position	-	37,469,327	10,348,352	207,193	48,024,872	70,920,709
Deliverable forward - DF						
Long position	-	-	-	-	-	9,968,321
Short position	-	-	-	-	-	9,968,321
Security forwards						
Long position	-	-	-	-	-	1,037,415
Short position	-	-	-	-	-	1,037,415
Options market						
Long position	14,363,000	62,505,994	49,441	257,278	77,175,713	50,268,241
Short position	14,799,060	51,672,563	59,972	209,619	66,741,214	39,294,248
Long position	48,738,935	166,749,607	12,373,903	486,881	228,349,326	270,054,048
Short position	37,937,355	160,447,638	12,384,434	439,222	211,208,649	258,912,561

(i) Includes investments funds.

d. Credit derivatives

	2018	2017
Credit swap		
Transferred risk		
Sovereign	84,471	-
Risk received		
Sovereign	(91,252)	138,274
Corporate	(158,924)	-
	(165,705)	138,274

During the year ended December 31, 2018 and 2017, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at December 31, 2018 is R\$21,318 (December 31, 2017 – R\$200,725).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

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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\$2,413,113 (December 31, 2017 – R\$1,845,811) and shares in the amount of R\$964,919 (December 31, 2017 – R\$768,404).

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 are 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 brokers and 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 market prices, 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

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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	2018		2017	
	Balance	Allowance	Balance	Allowance
Loans	13,664,984	(557,633)	9,439,841	(619,973)
Financing	1,419,172	(64,786)	913,181	(100,029)
FINAME/BNDES	2,890,562	(14,393)	2,817,560	(13,915)
Securities financing	876,136	-	156,011	-
Transferred loans with co-obligations (i)	5,518	-	433,527	-
Total	18,856,372	(636,812)	13,760,120	(733,917)

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

ii. By risk level and maturity

Risk level	2018						2017	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	77	4,302,002	547,197	4,300,864	9,150,140	-	5,565,057	-
A	-	354,650	401,207	3,922,777	4,678,634	(23,393)	3,225,616	(15,681)
B	288	354,723	300,034	987,516	1,642,561	(16,426)	1,488,641	(15,027)
C	181,216	351,467	199,800	789,300	1,521,783	(75,582)	1,138,577	(56,297)
D	36,576	352,225	6,880	968,699	1,364,380	(293,854)	1,596,454	(200,976)
E	2,375	43,907	22,707	207,437	276,426	(82,928)	91,108	(27,567)
F	7,528	3,528	4,062	119,448	134,566	(74,368)	563,173	(327,161)
G	56,915	-	-	1,824	58,739	(41,117)	964	(675)
H	7,274	13,646	4,535	3,688	29,143	(29,144)	90,530	(90,533)
Total	292,249	5,776,148	1,486,422	11,301,553	18,856,372	(636,812)	13,760,120	(733,917)

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iii. By activity sector

Sector	2018	2017
Commerce	2,609,460	1,332,948
Industry	2,977,475	2,404,767
Services	11,938,704	9,101,734
Rural	863,290	397,686
Individuals	467,443	522,985
Total	18,856,372	13,760,120

b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

Risk level	2018						2017	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	36,263	-	36,263	-	4,314	-
C	-	-	1,739	3,489	5,228	(157)	51,621	(1,549)
F	-	-	-	-	-	-	20,547	(10,273)
Total	-	-	38,002	3,489	41,491	(157)	76,482	(11,822)

ii. By activity sector

Sector	2018	2017
Services	36,262	76,482
Commerce	5,229	-
Total	41,491	76,482

c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	2018						2017	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	-	-	-	-	28,602	-
A	-	-	149,572	-	149,572	(782)	-	-
B	-	489,122	192,944	-	682,066	(6,731)	113,765	(1,173)
C	-	56,078	-	-	56,078	(1,896)	124,445	(4,836)
D	-	51,027	-	-	51,027	(14,111)	30,074	(5,869)
E	-	-	-	-	-	-	-	-
Total	-	596,227	342,516	-	938,743	(23,520)	296,886	(11,878)

BANCO BTG PACTUAL S.A. and subsidiaries

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(In thousands of reais, otherwise indicated)

ii. By activity sector

Sector	2018	2017
Industry	938,743	126,682
Services	-	170,204
Total	938,743	296,886

d. Credit concentration

	2018	%	2017	%
Largest debtors				
10 largest debtors	8,579,481	43%	6,578,322	48%
20 following largest debtors	1,720,801	9%	2,011,713	14%
50 following largest debtors	2,446,034	12%	2,138,088	15%
100 following largest debtors	2,589,165	13%	2,029,656	14%
200 following largest debtors	2,616,999	13%	1,171,901	8%
500 following largest debtors	1,766,345	9%	187,496	1%
Above 500 following largest debtors	117,781	1%	16,312	0%
Total	19,836,606	100%	14,133,488	100%

e. Allowance

Changes in the allowance for loan losses and other receivables are as follows:

	2018	2017
Opening balances	(871,528)	(835,069)
Reversal/(accrual) of allowance	(146,076)	106,754
Renegotiation of credits written off to loss	(83,202)	(152,708)
Allowance for guarantee	(34,370)	(73,191)
Guarantees	(80,124)	-
Exchange rate variation	(16,493)	612
Credits written off as loss	252,241	82,074
Closing balances	(979,552)	(871,528)
Breakdown of closing balances		
Allowance for loan losses	(636,812)	(733,917)
Allowance for other receivables	(189,272)	(51,870)
Allowance for other receivables without loan characteristics (Note 10 (b))	(157)	(11,822)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(23,520)	(11,878)
Allowance for guarantes	(129,791)	(62,041)
	(979,552)	(871,528)

f. Renegotiation/recovery of credits written off as loss

As at December 31, 2018, the amount of R\$1,701,795 were due to credit renegotiation (December 31, 2017 – R\$1,722,196). Also in the year ended December 31, 2018 there were R\$80,451 written off loans recovered (December 31, 2017 – R\$145,835).

BANCO BTG PACTUAL S.A. and subsidiaries

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(In thousands of reais, otherwise indicated)

11. Other receivables/obligations

a. Foreign Exchange portfolio

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	1,946,655	15,272,557	810,886	11,177,659
Rights on foreign exchange sales	15,458,174	-	11,193,962	-
(-) Advances on foreign exchange contracts	20,697	(918,046)	2,897	(293,989)
(-) Advances in foreign currency received	(271)	-	-	-
(-) Advances in local currency received	-	-	(37)	-
Liability for foreign exchange purchase	-	2,125,514	-	890,133
Total	<u>17,425,255</u>	<u>16,480,025</u>	<u>12,007,708</u>	<u>11,773,803</u>
Current	17,425,255	16,480,025	12,007,708	11,773,803
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$596,453 (December 31, 2017 - R\$143,577).

b. Securities trading and brokerage

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	583,022	191,879	372,741	264,839
Unsettled financial assets / liabilities	17	731,423	-	64
Pending settlement	2,576,317	1,077,495	3,023,323	1,467,741
Creditors for stock loans	-	15,431	-	570,106
Other securities trading and brokerage	-	-	-	203
Commissions and brokerage payable	717,708	3,184,599	202,174	1,929,630
Swap brokerage	140	-	129	-
Total	<u>3,877,204</u>	<u>5,200,827</u>	<u>3,598,367</u>	<u>4,232,583</u>
Current	3,877,204	5,200,827	3,598,367	4,232,583
Long-term	-	-	-	-

“Pending settlement” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset 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.

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12. Other receivables

a. Income receivable

	2018	2017
Dividends and bonus	102,781	51,974
Receivables from services rendered	59,944	89,614
Rights on energy sales	104,764	1,925,051
Management and performance fees for investment funds and portfolio	630,119	412,319
Distribution fees	5,289	4,330
Commissions on guarantees	24,367	26,675
Total	927,264	2,509,963
Current	927,264	2,509,963
Long-term	-	-

b. Sundry

	2018	2017
Deferred tax assets - income and social contribution (note 18)	5,393,743	4,411,458
Deferred tax assets - Others	303,507	209,297
Sundry (i)	1,493,016	3,034,267
Judicial deposits	1,627,949	1,497,424
Taxes recoverable to offset	735,333	2,875,359
Securities and credits receivable		
With loan characteristics (note 10 b)	41,491	76,482
Without loan characteristics	1,360,096	697,091
Investment properties	510,796	554,525
Salaries advances	33,830	24,746
Advance to suppliers	283	108,237
Other	480,408	302,353
Total	11,980,452	13,791,239
Current	505,344	1,338,588
Long-term	11,475,108	12,452,651

(i) On December 31, 2017, includes receivables from sale of investmets.

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13. Investments in associates and jointly controlled entities

	Shareholders' Equity		Associates and jointly-controlled entities	
	Net income (loss)			
	2018	2017	2018	2017
In Brazil				
Banco Pan S.A.	4,095,919	3,555,824	221,515	212,606
Warehouse 1 Empreendimentos Imobiliários S.A.	27,214	34,337	(1,679)	4,583
Pan Seguros S.A.	470,234	616,112	61,461	52,685
Pan Corretora S.A.	32,256	54,486	10,679	10,899
Abroad				
Engelhart CTP Group S.A.	2,029,348	2,260,025	(594,667)	(746,827)
EFG International (i) (ii)	6,636,882	7,146,953	185,016	71,107

- (i) The equity accounting result related to the investment in EFG recognized during the period ended September 30, 2018 comprises the income generated by the investment in addition to the second half of 2017, as a result of the late disclosure of its financial information.
- (ii) On December 31, 2018, the equity on EFG include total return swap in the amount of CHF46,686.

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	Changes in investments						e s
	2017	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Changes in investment accounting practices (iii)	Fair value adjustment (iv)	Exchange variation	
In Brazil							
Banco Pan S.A.	1,341,299	542,698	(43,871)	-	2,679	-	
Negative Goodwill - Banco Pan	(56,884)	(168,646)	-	-	-	-	
Warehouse 1 Empreendimentos	12,017	-	-	-	-	-	
Imobiliários S.A.							
Pan Corretora S.A.	27,787	(4,081)	(12,702)	-	-	-	
Pan Seguros S.A.	314,214	-	(82,499)	-	114	-	
Other	5,909	(954)	-	-	-	-	
Total	<u>1,644,342</u>	<u>369,017</u>	<u>(139,072)</u>	<u>-</u>	<u>2,793</u>	<u>-</u>	
Abroad							
BTG Pactual Holding S.A.R.L. (i) (ii) (v)	-	3,261,401	-	-	-	-	
Maybroke Holding S.A. (i)	-	-	-	-	-	-	
Engelhart CTP Group S.A. (i)	439,972	(22,422)	-	-	-	82,178	
EFG International (i)	2,105,513	-	(78,160)	(585,332)	208,945	331,528	
Goodwill - EFG International (i)	1,029,756	-	-	-	-	175,586	
	<u>3,575,241</u>	<u>3,238,979</u>	<u>(78,160)</u>	<u>(585,332)</u>	<u>208,945</u>	<u>589,292</u>	
Total	<u>5,219,583</u>	<u>3,607,996</u>	<u>(217,232)</u>	<u>(585,332)</u>	<u>211,738</u>	<u>589,292</u>	

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

(ii) During the year ended on December 31, 2017, the investment in BTG Pactual Holding S.A.R.L., was transferred to securities.

(iii) See note 2.

(iv) Includes effects recognized by EFG in its Shareholders' Equity, comprised by cumulative translation adjustments, as well as gains related to pension plans.

(v) During the quarter ended on December 31, 2018, the agreements related to the sale of the Bank's indirect equity interest in the joint venture Petrobras Oil & Gas BV through BTG Pactual E & P BV were concluded. The asset in the amount of R\$ 4,079,122 (previously in Securities) was transferred to investments in associates and jointly controlled entities, reflecting the permanent nature of the participation.

14. Intangible assets

	Changes in Intangible assets					2018
	2017	Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Goodwill	-	-	-	-	-	-
Cost	1,020,698	-	(1,056,936)	-	36,238	-
Amortization	(1,020,698)	-	1,056,936	-	(36,238)	-
Other intangible assets	205,833	12,857	(15,830)	(34,182)	63,258	231,936
Cost	467,698	12,857	(38,830)	-	56,194	497,919
Amortization	(261,865)	-	23,000	(34,182)	7,064	(265,983)
Total	<u>205,833</u>	<u>12,857</u>	<u>(15,830)</u>	<u>(34,182)</u>	<u>63,258</u>	<u>231,936</u>

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	2018						2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	20,950,087	10,626,239	8,716,845	1,471,309	57,431	78,263	9,178,313
Open market funding	35,574,986	32,997,048	2,185,986	176,328	102,043	113,581	33,890,221
Funds from securities issued and accepted	14,396,303	1,255,950	1,783,023	6,058,264	4,534,969	764,097	10,289,546
Loans and borrowings	4,969,610	1,423,862	501,591	363,227	338,553	2,342,377	4,729,925
Subordinated debts and subordinated debt eligible to equity	8,845,685	311,845	1,356,008	2,051,352	1,568,802	3,557,678	9,360,546
Total	<u>84,736,671</u>	<u>46,614,944</u>	<u>14,543,453</u>	<u>10,120,480</u>	<u>6,601,798</u>	<u>6,855,996</u>	<u>67,448,551</u>

b. Deposits

	2018						2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	287,303	287,303	-	-	-	-	441,320
Interbank deposits	378,410	119,961	174,853	5,433	-	78,163	136,840
Time deposits	20,284,374	10,218,975	8,541,992	1,465,876	57,431	100	8,600,153
Total	<u>20,950,087</u>	<u>10,626,239</u>	<u>8,716,845</u>	<u>1,471,309</u>	<u>57,431</u>	<u>78,263</u>	<u>9,178,313</u>

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c. Open market funding

Open market funding has collateral on the following securities:

	2018						2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	6,279,037	5,716,904	562,133	-	-	-	9,308,876
Federal government bonds	4,416,717	4,416,717	-	-	-	-	6,723,716
Corporate securities	956,632	394,499	562,133	-	-	-	1,245,449
Foreign securities	409,313	409,313	-	-	-	-	1,339,711
Foreign government bonds	496,375	496,375	-	-	-	-	-
Third-party portfolio	22,224,352	21,651,283	425,959	45,067	102,043	-	19,055,738
Federal government bonds	20,172,962	20,172,962	-	-	-	-	18,598,342
Corporate bonds	655,281	133,940	374,231	45,067	102,043	-	364,836
Foreign securities	1,396,109	1,344,381	51,728	-	-	-	29,190
Foreign government bonds	-	-	-	-	-	-	63,370
Unrestricted portfolio (i)	7,071,597	5,628,861	1,197,894	131,261	-	113,581	5,525,607
Federal government bonds	7,044,343	5,601,607	1,197,894	131,261	-	113,581	5,144,254
Foreign securities	8,230	8,230	-	-	-	-	381,353
Foreign government bonds	19,024	19,024	-	-	-	-	-
Total	35,574,986	32,997,048	2,185,986	176,328	102,043	113,581	33,890,221

(i) From the unrestricted portfolio, R\$6,717,493 (December 31, 2017 – R\$4,770,136) refers to short position and R\$354,104 (December 31, 2017 – R\$755,471) to third-party portfolio.

d. Funds from securities issued and accepted

	2018						2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	9,583,995	1,204,689	1,663,132	4,121,459	2,589,569	5,146	6,423,836
Financial bills	6,338,228	644,616	859,521	2,300,967	2,527,978	5,146	4,772,064
Mortgage bonds/letters of credit for agribusiness	3,067,898	550,332	740,105	1,719,872	57,589	-	1,575,503
Certificates of structured transactions	177,869	9,741	63,506	100,620	4,002	-	76,269
Securities – abroad	4,812,308	51,261	119,891	1,936,805	1,945,400	758,951	3,865,710
Medium term notes	4,470,214	-	-	1,905,269	1,945,400	619,545	3,682,691
Fixed rate notes and others	342,094	51,261	119,891	31,536	-	139,406	183,019
Total	14,396,303	1,255,950	1,783,023	6,058,264	4,534,969	764,097	10,289,546

As at December 31, 2018, securities in Brazil were basically indexed to interest referenced rates (CDI) between 82% and 115% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. (December 31, 2017 – indexed to (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.3% p.a. to 8.4% p.a.).

On December 31, 2018, securities abroad have rates between 2.4% p.a. and 13.6% p.a. (December 31, 2017 – between 3.17% p.a. and 8.0% p.a.).

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e. Loans and onlending

	2018						2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	2,182,435	1,394,538	428,949	192,974	165,974	-	1,920,118
Foreign currency	787,897	-	428,949	192,974	165,974	-	147,097
Loans abroad	1,394,538	1,394,538	-	-	-	-	1,773,021
Loans - Brazil	-	-	-	-	-	-	75,391
Loans	-	-	-	-	-	-	75,391
Borrowings in Brazil	2,787,175	29,324	72,642	170,253	172,579	2,342,377	2,734,416
FINAME/BNDES	2,787,175	29,324	72,642	170,253	172,579	2,342,377	2,734,416
Total	4,969,610	1,423,862	501,591	363,227	338,553	2,342,377	4,729,925

On December 31, 2018, securities abroad have rates between 0.50% p.a. and 9.23% p.a. (December 31, 2017 – between 0.16% p.a. and 8.54% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	2018					2017
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	3,701,867	4,808,485
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,564,289	1,508,752
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	3,579,529	3,043,309
Total					8,845,685	9,360,546

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) The Bank cancel a total amount equivalent to US\$300 million in Senior 2020 bonds and US\$350 million in Tier II Subordinated 2022 bonds which have been acquired since 2015. Further, on October 2017, Banco received an authorization from Brazilian Central Bank to repurchase no later than December 1st 2017 up to US\$390 million of its perpetual bond - TIER 1 Capital.

16. Other obligations

a. Social and statutory

	2018	2017
Dividends and profit sharing payable	607,971	612,403
Employees' profit sharing	623,319	678,304
Total	1,231,290	1,290,707
Current	1,231,290	1,290,707
Long term	-	-

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b. Tax and social security

	2018	2017
Tax and contributions to be collected	101,386	189,681
Tax and contribution payable (i)	613,749	2,301,464
Deferred social contribution and income tax (Note 18)	78,613	81,288
Deferred PIS and COFINS	858	10
Total	794,606	2,572,443
Current	485,211	2,480,875
Long term	309,395	91,568

(i) During the year ended December 31, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the partial tax amortization of goodwill arising from the acquisition of the then named Banco Pactual S.A. by UBS AG in 2006 (as described in Note 17), the Bank joined the Special Tax Regularization Program ("PERT"), pursuant to Executive Decree 783, of May 31, 2017 and Executive Decree 798, of August 31, 2017.

Pursuant to the terms of the agreements related to the Acquisition and the Private Placement agreement of 2010, the financial costs of said adherence to PERT were borne by UBS AG and BTG Pactual Holding S.A., respectively, as approved by the Meeting of BTG Pactual's Board of Directors, and there will be no financial impact on the Bank.

c. Sundry

	2018	2017
Payable for acquisition of assets and rights (i)	1,015,630	1,074,677
Accounts payable - personnel	327,064	178,929
Provision for contingent liabilities	1,648,713	2,053,233
Other creditors - Brazil	3,943,926	2,678,845
Other creditors - Abroad	20,937	20,810
Allowance for guarantees	212,268	261,855
Obligations related to transferred loans	6,318	6,318
Other	13,678	22,522
Total	7,188,534	6,297,189
Current	1,122,908	386,849
Long term	6,065,626	5,910,340

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

As at December 31, 2018 and 2017, the Bank did not record contingent assets.

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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, 2018 are appropriate to cover probable losses arising therefrom.

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

	2018				2017
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	1,727,046	275,348	50,839	2,053,233	2,066,244
Recognition	78,398	88,931	13,373	180,702	246,776
Write-off	(333,266)	(238,668)	(13,288)	(585,222)	(259,787)
Balance at the end of the year	1,472,178	125,611	50,924	1,648,713	2,053,233
Other contingencies and Provision for contingent liabilities (Note 16 (c))				1,648,713	2,053,233

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The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

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 a 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, 2018, 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, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$483 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of B3 S.A., challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$26 million. Part of this amount is security 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 tax assessment in the amount of R\$2,026 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. A defense was filed against this tax assessment, which is awaiting decision of the Administrative Council of Tax Appeals. In addition, on December 2017, the Bank received other tax assessment in the amount of R\$845 million, which refers to 2012, which was considered undue the goodwill originated on the Bank acquisition by UBS, on 2006, the goodwill originated the repurchase byh the Bank on 2009 and the goodwill originated in the private subscription of shares made by investors through the copa Prince in 2011. A defense was filed against this assessment, pending a second administrative decision. In December 2018, the Bank received a tax assessment in the amount of R\$420 million, related to the period of 2013. A defense was filed against this assessment pending a decision of the first administrative instance. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

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- The Holding Internacional S.A. received a tax assessment of income tax paid abroad, and compensated in Brazil on 2012 in the total amount of R\$151 millions. Against the booking, Holding presented an administrative appeal, which awaits trial in first instance. On June 2018, Holding Internacional was notified of the result of the diligence in first instance that recognized partial compensation of foreign earnings in the amount of R\$43 million. In December 2018, the first administrative instance judged the appeal of the Holding Internacional unfavorable. Against this decision, an appeal was filed to the second administrative instance.
- On December 2017, the Bank received a tax assessment which it is discussed insufficient recollection of PIS and COFINS and imposes fine isolated, referring to the year of 2012, in the amount of R\$183 millions. Against the booking, administrative appeal was presented, which awaits trial in second instance.
- On December 2017, in the capacity of the Banco Pan S/A sponsor, the Bank received a tax assessment-IRRF infringement allegedly due to the sale of investment in Brazil by a foreigner, referring to the year of 2012, in the amount of R\$73 millions. Against the booking, administrative appeal was presented, which awaits trial in second instance.
- On December 2017, the Bank received a tax assessment that seeks to collect income tax on the supposed capital gains in corporate incorporation, when One Properties was incorporated by BR Properties, in the amount of R\$1.052 millions. Against the booking, administrative appeal was presented, which awaits trial in second instance.
- In December 2018, the Asset Manager received a tax assessment in total amount of R\$ 90 million for the years 2013 and 2014, regarding the amortized goodwill generated in the acquisition of BRFE in 2012. The administrative appeal was filed against the assessment, which is awaiting trial.
- In December 2018, the Bank was aware of the non-homologation of the negative balance of IRPJ, related to 2013, in the amount of R\$ 68 million. An administrative appeal was lodged against the decision.

ii. Provision for other contingent liabilities

As at the year ended December 31, 2018 and 2017, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

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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:

	2018	2017
Income tax and social contribution		
Tax base	1,323,986	(139,014)
Income before taxes and profit sharing	3,146,857	1,777,874
Statutory profit sharing	(626,276)	(689,064)
Interest on equity	(1,196,595)	(1,227,824)
Total charge of income tax and social contribution at the current rates	(595,793)	55,458
Permanent (additions) / deductions in taxation calculation	268,686	229,235
Equity pick up in associated and jointly controlled companies in Brazil	218,569	220,373
Income/(loss) of foreign exchange on foreign investments	-	215,058
Dividends	31,963	22,417
Foreign Investment hedge/overhedge	-	(810,126)
Special Tax Regularization Program	-	314,519
Other Permanent (additions) / deductions	18,154	266,994
Temporary (additions) / deductions on the taxation calculation	(939,740)	(447,533)
Reversal of provision for goodwill on the acquisition of investments	-	16,847
Interest on equity	-	130,532
Fair value of securities and derivatives	(1,001,430)	(458,042)
Allowance for loan losses	(72,220)	20,271
Loss on investment abroad	2,014	-
Tax contingencies and provision for suspended-payment taxes	(12,150)	1,019
Interest on Special Tax Regularization Program	-	(152,276)
Other provisions	144,046	(5,884)
Offset of tax losses carry forward - Brazil	20,004	(39,774)
Tax and social contribution expense	(1,246,843)	(202,614)
Temporary differences		
Recognition / (reversal) of the year	515,395	437,565
Interest on equity	(9,047)	-
Recognition / (reversal) of tax losses carry forward	(20,004)	13,798
Recognition / (reversal) of loss on investment abroad	531,488	448,080
Recognition of Special Tax Regularization Program	-	491,336
Other temporary differences	76,152	99,027
Expenses from deferred taxes	1,093,984	1,489,806
Total revenues / (expenses)	(152,859)	1,287,192

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.

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Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	2017	Recognition	Realization (i)	2018
Tax loss	977,349	532,670	(21,186)	1,488,833
Interest on equity	269,968	241,800	(269,968)	241,800
Allowance for loan losses	618,922	160,710	(109,730)	669,902
Fair value of securities and derivatives	1,931,453	1,601,043	(1,042,208)	2,490,288
Tax contingencies and provision for suspended-payment taxes	186,124	27,509	-	213,633
Other temporary differences	427,642	-	(138,355)	289,287
Total	4,411,458	2,563,732	(1,581,447)	5,393,743
Income tax and social contribution	2016	Recognition	Realization (i)	2017
Tax loss carryforwards	1,380,635	438,498	(841,784)	977,349
Interest on equity	400,500	-	(130,532)	269,968
Allowance for loan losses	878,723	(605)	(259,196)	618,922
Fair value of securities and derivatives	1,372,210	567,238	(7,995)	1,931,453
Goodwill on the acquisition of investment	16,847	-	(16,847)	-
Tax contingencies and provision for suspended-payment taxes	187,143	-	(1,019)	186,124
Other temporary differences	226,853	204,652	(3,863)	427,642
	4,462,911	1,209,783	(1,261,236)	4,411,458
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	335	(335)	-	-
Total	4,463,246	1,209,448	(1,261,236)	4,411,458

(i) On December 31, 2018, the amount of R\$293,979 (December 31, 2017 – R\$220,213), refers to recovery paid taxes from investments abroad.

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
2019	966,470	203,085	1,169,555
2020	717,666	214,606	932,272
2021	671,137	226,295	897,432
2022	909,077	172,340	1,081,417
2023 onwards	640,561	672,506	1,313,067
Total	3,904,911	1,488,832	5,393,743
Present value	3,045,175	1,051,815	4,096,990

Deferred income tax and social contribution liabilities amounts to R\$86,151 (December 31, 2017 - R\$81,288), according to note 16(b).

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 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

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19.Shareholders equity

a. Capital

As at December 31, 2018, fully subscribed and paid in capital consists of 2,637,236,572 shares (December 31, 2017 – 2,681,601,772), of which 1,731,276,922 common shares (December 31, 2017 – 1,746,065,322), 456,603,310 class A preferred shares (December 31, 2017 – 486,180,110), 449,356,340 class B preferred shares (December 31, 2017 – 449,356,340), registered shares.

At Meeting of BTG Pactual's Board of Directors on September 29, 2017, was approved capital increase, in the amount of R\$171,567, with issuance of 1 class B preferred shares, both nominative and without par value. The capital increase was approved by BACEN on November 6, 2017.

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 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, 2018, the Bank bought own units, in connection with the approved repurchase program, in the amount of R\$328,085 (December 31, 2017 - R\$489,977), equivalent to 15,919,600 units (December 31, 2017 – 31,618,580 units). On the year ended December 31, 2018 the were R\$292,604, equivalent to 14,788,400 units cancelled (December 31, 2017 - R\$467,748, equivalent to 32,287,880 units cancelled). On December 31, 2018, 6,358,800 units (December 31, 2017 – 5,227,600 units) were held in treasury, in the amount of R\$128,544 (December 31, 2017 – R\$93,063).

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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.

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.

As at December 27, 2018 the Bank has accrued R\$604,500, relating to interest on equity, equivalent to R\$0.23 per share, which generated R\$241,800 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 27, 2018.

As at August 7, 2018 the Bank has accrued R\$592,500, relating to interest on equity, equivalent to R\$0.22 per share, which generated R\$266,625 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 7, 2018, and the payment occurred on August 22, 2018.

As at December 31, 2017 the Bank has accrued R\$608,977, relating to interest on equity, equivalent to R\$0.23 per share, which generated R\$274,039 of tax benefit.

As at June 30, 2017 the Bank has accrued R\$630,000, relating to interest on equity, equivalent to R\$0.23 per share, which generated R\$283,500 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2017, and the payment occurred on August 1, 2017.

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December 31, 2018

(In thousands of reais, except otherwise indicated)

g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income	
	2018	2017	2018	2017
Banco BTG Pactual S.A.	18,790,469	18,469,227	1,278,545	2,070,278
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	54,465	-	-
Others (ii)	-	-	1,082,239	313,585
Banco BTG Pactual S.A. Consolidated	18,844,934	18,523,692	2,360,784	2,383,863

- (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.
- (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.

20. Income from services rendered

	2018	2017
Management and performance fee from investment funds and portfolios	849,571	569,044
Professional services	626,140	414,526
Brokerage	222,101	158,870
Guarantees	252,368	244,431
Commission over securities placement	214,081	195,840
Other services	7,422	14,253
Total	2,171,683	1,596,964

21. Other operating income

	2018	2017
Adjustment of amounts receivable for acquisition of investments	115,909	166,609
Foreign exchange rate gains	59,718	216,737
Reversal of provision - contingencies	295,990	227,389
Monetary correction over judicial deposits	85,913	180,352
Recovery of charges and expenses	1,236	9,589
Reversal of provision - other	7,513	6,911
Other operating income	23,400	87,891
Total	589,679	895,478

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

22. Other operating expenses

	2018	2017
Tax restatement expense	91,619	142,527
Foreign exchange rate losses	18,076	192,110
Allowance for other receivables without loan characteristics	46,618	51,251
Adjustment of amounts payable for acquisition of investments (i)	75,043	116,397
Fair value of assets	-	63,687
Goodwill amortization (ii)	-	166,023
Allowance for guarantee	34,370	73,191
Discounts granted in credit renegotiation	19,940	44,548
Other	18,120	195,626
Total	303,786	1,045,360

(i) Mainly due to the acquisition of Banco Pan S.A. and Banco Sistema S.A..

(ii) Mainly due to the of Celfin goodwill amortization.

23. Other administrative expenses

	2018	2017
Outsourced services and consulting	360,605	408,570
Telecommunications and data processing	268,707	225,983
Special Tax Regularization Program	-	1,632,357
Leases and condominiums	96,167	92,397
Expenses of the financial system	217,181	145,211
Advertising and public relations	67,314	47,930
Depreciation and amortization	56,683	65,214
Travel and lodging	45,841	40,612
Other	99,955	21,458
Total	1,212,453	2,679,732

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	
	2018	2017	2018	2017	2018	2017
Assets						
Open market investments	-	-	-	27,171	-	27,171
Interbank investments deposits	-	-	136,601	400,058	136,601	400,058
Securities	-	-	-	49,336	-	49,336
Derivative financial instruments	-	-	8,782	72,276	8,782	72,276
Loans and Receivables	3,167,665	2,409,687	-	-	3,167,665	2,409,687
Sundry	-	-	-	-	-	-
Liabilities						
Interbank deposits	-	-	(77,959)	(85,704)	(77,959)	(85,704)
Time deposits	(32,251)	(59,647)	-	-	(32,251)	(59,647)
Derivative financial instruments	-	-	(77,959)	-	(77,959)	-
Securities issued abroad	-	-	(30,158)	(755,288)	(30,158)	(755,288)
Sundry	-	-	(8,782)	-	(8,782)	-
	Parent company		Subsidiaries and joint controlled entities		Total	
	2018	2017	2018	2017	2018	2017
Statements of income						
Financial income	-	-	9,348	228,257	9,348	228,257
Financial expenses	(13,245)	254	(131,138)	(7,401)	(144,383)	(7,147)
Other operating income / (expenses)	-	-	-	(100,700)	-	(100,700)

(i) Includes natural person.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

Total compensation paid to key management personnel totaling this period R\$60,925 (December 31, 2017 – R\$16,912) which is considered short term benefit.

25. Other information

a. Cash and cash equivalents

	2017	2016
Balances at beginning of the year		
Cash and cash equivalents	4,347,209	674,114
Open market investments	17,683,903	11,360,730
Interbank deposits	1,169,893	1,938,904
Total	23,201,005	13,973,748
Balances at end of the year		
Cash and cash equivalents	979,185	4,347,209
Open market investments	23,075,514	17,683,903
Interbank deposits	2,604,551	1,169,893
Total	26,659,250	23,201,005

b. Commitments and responsibilities

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

	2018	2017
Co-obligation and risks for guarantees granted	36,834,176	29,531,510
Responsibility for the management of futures and investment portfolio (i)	224,021,170	165,325,497
Securities	41,286,789	36,030,558
Securities under custody	2,697,667,631	1,116,058,327
Securities trading and brokerage	1,009,734,796	1,833,298,069
Loans contract to release	2,413,612	972,000
Commitments to be released	37,500	12,900

(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.

“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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2018

(In thousands of reais, except otherwise indicated)

26.Subsequent events

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, 2019, and callable in five years.

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

December 31, 2017

With independent auditor's report on consolidated financial statements.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2017

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A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statement prepared 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. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of income, changes in equity and consolidated cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BTG Pactual S.A. and its subsidiaries as at December 31, 2017, and its consolidated financial performance and its 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.

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 and of its subsidiaries in accordance with the relevant ethical requirements established in the Accountant's Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled 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 audit opinion.



Emphasis of matters

Tax credits recorded in jointly-controlled subsidiary

As at December 31, 2017, the jointly-controlled subsidiary Banco PAN S.A. recorded income tax and social contribution credits totaling R\$3.2 billion, substantially recognized based on study of the current and future scenarios approved by the 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 the business plan, as approved by the management bodies of Banco PAN S.A. Our opinion is not qualified with respect to this matter.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the year then ended December 31, 2017 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 audit opinion, containing the same emphasis paragraph described above, dated February 27, 2018.

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 those 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 and its subsidiaries have complex and illiquid financial instruments and derivatives in its investment portfolio, which are priced and recorded at fair value. The fair value measurement of these instruments requires management to use pricing models and assumptions, such as expected cash flow, risk free rate, credit risk spreads, 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 and derivatives as one of the key audit matters.



Our audit procedures included, among others, the involvement of specialists in complex and illiquid financial instruments and derivatives 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.

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. In addition, we evaluated the adequacy of the disclosures on footnotes 8 and 9 to the consolidated financial statements of the Bank and its subsidiaries..

Allowance for loan losses

The Bank and its subsidiaries have a corporate credit portfolio, for which management uses its judgment in determining the allowance for loan losses in accordance with the CMN Resolution no. 2682/1999. We consider it as a key audit matter, due to the subjectivity involved in the determination of the allowance for loan losses, which requires the considerations of, among other factors, recoverable value of corresponding loans, both at the individual-loan and economic-group levels, financial-economic analysis of counterparties, assessment of underlying guarantees, and credit-renegotiation.

Our audit procedures included, among others, the understanding of the process established by management, tests of controls and test of details related to: (i) the totality and integrity of the database; (ii) determination of levels of provision by borrowers and subsequently the rating through models and assumptions adopted by management, based on data and market assumptions, when available; (iii) measurement of guarantees; (iv) monitoring of renegotiated transactions; and (v) the adequacy of footnote disclosures.

Based on the evidence obtained from the procedures performed on allowance for loan losses, which was consistent with management evaluation, we considered that the criteria and assumptions used by management on measurement and accounting were adequate in the context of the consolidated financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnote 10 to the consolidated financial statements of the Bank and its subsidiaries.

Related party transactions

The Bank and its subsidiaries are part of an organizational structure with several legal entities, in Brazil and abroad. They carry out transactions with these related parties within their operations. Due to the number of related parties, the volume and the inherent risk associated to these transactions, we considered them one of the key audit matters.



Our audit procedures included, among others, the understanding of the Bank and its subsidiaries' 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 related parties with the Bank and its subsidiaries. Additionally, we audited, on a sample basis, the transactions among related parties and the respective eliminations, when applicable, on the consolidated financial statements of the Bank and its subsidiaries.

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. In addition, we evaluated the adequacy of the disclosures on footnote 25 to the consolidated financial statements of the Bank and its subsidiaries..

Information technology (IT) environment

Because of the volume and complexity, the operations of the Bank and its subsidiaries are highly dependent on the proper functioning of the IT structures and systems. Therefore, we considered the IT environment as one of the key audit matters.

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

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

Other matters

Consolidated statement of value added

The consolidated statement of value added (SVA), for the year ended December 31, 2017, prepared under the responsibility of Bank's 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 and its subsidiaries. For the purposes of forming our opinion, we evaluated whether this statement was reconciled with the 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 - Statement 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 were consistent with the consolidated financial statements taken as a whole.



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 from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' financial reporting process, and includes Management, Audit Committee and Board of Directors.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' 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 and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 determine those matters that were of most significant in the audit of the consolidated financial statements of the current period 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.

Rio de Janeiro, February 27, 2018.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP 015.199/O-6

A handwritten signature in black ink, appearing to read 'Rodrigo de Paula', is written over a faint circular stamp.

Rodrigo de Paula
Accountant CRC – 1SP 224.036/O-8

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31

(In thousands of reais)

	Note	2017	2016
Assets			
Current assets		90,265,059	83,553,280
Cash at banks	6	4,347,209	674,114
Short-term interbank investments	7	27,196,779	20,752,635
Open market investments		25,973,105	18,810,059
Interbank deposits		1,223,674	1,942,576
Securities and derivative financial instruments		34,520,034	33,304,289
Own portfolio	8	15,151,347	12,887,902
Subject to repurchase agreements	8	4,761,945	6,385,653
Subject to unrestricted repurchase agreements	8	144,227	185,449
Derivative financial instruments	9	12,585,309	10,897,355
Subject to guarantees	8	1,877,206	2,947,930
Interbank transactions		1,473,007	1,962,962
Deposits in the Central Bank of Brazil		1,473,007	1,962,962
Loans	10	5,205,606	3,634,223
Loans		5,368,754	4,003,998
Transferred loans with coobligation		314,572	12,848
Allowance for loan losses		(477,720)	(382,623)
Other receivables		17,480,316	23,156,354
Foreign exchange portfolio	11	104,349	-
Income receivable	12	12,007,708	14,695,453
Securities trading and brokerage	11	562,966	668,728
Sundry	12	3,598,367	2,790,923
Allowance for losses on other receivables	10	1,234,239	5,149,017
		(27,313)	(147,767)
Other assets		42,108	68,703
Other assets		2,852	1,727
Prepaid expenses		39,256	66,976
Long-term-assets		30,789,175	19,577,416
Long-term interbank investments	7	595,508	48
Open market investments		595,508	48
Securities and derivative financial instruments		7,767,998	4,181,932
Own portfolio	8	1,059,468	496,085
Derivative financial instruments	9	1,859,531	1,012,968
Subject to repurchase agreements	8	3,968,413	778,640
Subject to guarantees	8	880,586	1,894,239
Interbank transactions		230,635	272,357
Restricted credits – National Housing System		230,635	272,357
Loans	10	7,820,597	5,879,135
Loans		7,957,839	6,076,828
Transferred loans with coobligation		118,955	-
Allowance for loan losses		(256,197)	(197,693)
Other receivables		14,289,350	9,159,107
Income receivable	12	1,946,997	192,477
Sundry	12	12,452,651	8,968,038
Allowance for losses on other receivables	10	(110,298)	(1,408)
Other assets		85,087	84,837
Temporary investments		52,249	52,149
Other assets		105,067	62,576
Prepaid expenses		9,494	15,211
Provision for losses on other assets		(81,723)	(45,099)
Permanent assets		5,537,378	8,640,861
Investments		5,248,783	8,167,843
Investments in associates and jointly controlled entities - in Brazil	13	1,644,342	1,613,057
Investments in associates and jointly controlled entities - abroad	13	3,575,241	6,539,084
Other investments		33,661	19,200
Allowance for losses in investments		(4,461)	(3,498)
Property and equipment in use		82,762	92,688
Property in use		5,177	4,930
Other property and equipment in use		257,210	245,955
Accumulated depreciation		(179,625)	(158,197)
Deferred charges		-	13,595
Amortization and expansion costs		-	63,842
Accumulated amortization		-	(50,247)
Intangible assets	14	205,833	366,735
Other intangible assets		1,488,396	1,300,456
Accumulated amortization		(1,282,563)	(933,721)
Total assets		126,591,612	111,771,557

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)

	Note	2017	2016
Liabilities			
Current liabilities		77,238,309	70,059,411
Deposits	15	8,303,306	7,529,145
Demand deposits		441,320	128,552
Interbank deposits		111,108	171,806
Time deposits		7,750,878	7,228,787
Open market funding	15	31,236,529	24,083,428
Own portfolio		8,379,518	7,687,107
Third-party portfolio		19,026,548	12,967,472
Free trading portfolio		3,830,463	3,428,849
Funds from securities issued and accepted	15	2,682,894	5,627,207
Real estate, mortgage, credit and similar notes		2,533,872	5,273,282
Securities issued abroad		72,753	342,252
Certificates of structured transactions		76,269	11,673
Interbank transactions		5,388	5,060
Unsettled receipts and payments		5,388	5,060
Interdependencies transactions		24,356	82,602
Unsettled third party assets		24,356	82,602
Loans and borrowings	15	1,302,170	999,606
Loans abroad		1,231,495	768,480
Loans in Brazil		-	163,771
Borrowings in Brazil		70,675	67,355
Derivative financial instruments	9	12,221,661	8,430,235
Derivative financial instruments		12,221,661	8,430,235
Other liabilities		21,462,005	23,302,128
Collection and payments of tax and similar charges		8,148	3,889
Foreign exchange portfolio	11	11,773,803	14,341,764
Social and statutory	16	1,290,707	1,457,553
Tax and social security	16	2,480,875	326,911
Securities trading and brokerage	11	4,232,583	4,101,958
Subordinated debt	15	1,289,040	1,239,548
Sundry	16	386,849	1,830,505
Long-term liabilities		30,576,631	23,717,671
Deposits	15	875,007	161,672
Interbank deposits		25,732	54,329
Time deposits		849,275	107,343
Open market funding	15	2,653,692	820,545
Own portfolio		929,358	105,979
Third-party portfolio		29,190	-
Free trading portfolio		1,695,144	714,566
Funds from securities issued and accepted	15	7,606,652	4,708,495
Real estate, mortgage, credit and similar notes		3,813,695	2,556,676
Securities issued abroad		3,792,957	2,151,819
Loans and borrowings	15	3,427,755	2,545,216
Loans abroad		688,623	-
Loans in Brazil		75,391	-
Borrowings in Brazil		2,663,741	2,545,216
Derivative financial instruments	9	1,940,111	1,214,642
Derivative financial instruments		1,940,111	1,214,642
Other liabilities		14,073,414	14,267,101
Tax and social security	16	91,568	137,557
Subordinated debt	15	5,028,197	6,043,442
Debt instrument eligible to capital	15	3,043,309	4,305,202
Sundry	16	5,910,340	3,780,900
Deferred income		120,573	141,783
Non-controlling interest		128,286	125,473
Shareholders' equity	19	18,527,813	17,727,219
Capital - domiciled in Brazil		4,898,856	4,727,289
Capital - domiciled Abroad		2,493,236	2,493,237
Capital Reserve		652,515	652,515
Asset valuation adjustment		114,992	39,756
Income reserves		10,461,277	9,885,256
Treasury shares		(93,063)	(70,834)
Total Liabilities and Shareholders' equity		126,591,612	111,771,557

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	2017	2016
Financial income		9,523,750	13,451,145
Loans		1,529,696	1,809,390
Securities		5,873,294	4,969,829
Derivative financial instruments		1,596,710	4,161,800
Foreign Exchange		376,675	2,308,003
Mandatory investments		147,375	202,123
Financial expenses		(5,633,242)	(6,642,609)
Funding operations		(5,172,719)	(7,111,390)
Borrowing and onlending		(567,277)	565,757
Allowance for loan losses and other receivables	10	106,754	(96,976)
Net financial income		3,890,508	6,808,536
Other operating expenses		(2,117,374)	(2,554,141)
Income from services rendered	20	1,596,964	2,697,783
Personnel expenses		(648,870)	(1,676,613)
Other administrative expenses	23	(2,679,732)	(2,134,846)
Tax charges		(240,654)	(556,093)
Equity earnings of associates and jointly controlled entities	13	4,800	(794,040)
Other operating income	21	895,478	1,266,788
Other operating expenses	22	(1,045,360)	(1,357,120)
Operating income		1,773,134	4,254,395
Non-operating (expenses) / income	24	4,740	940,124
Income before taxation and profit sharing		1,777,874	5,194,519
Income tax and social contribution	18	1,287,192	(1,112,926)
Provision for income tax		(159,982)	(190,808)
Provision for social contribution		(42,632)	(157,053)
Deferred income tax and social contribution		1,489,806	(765,065)
Statutory profit sharing		(689,064)	(721,512)
Non-controlling interest		7,861	48,502
Net income for the year	19	2,383,863	3,408,583
Interest on equity	19	(1,223,705)	(1,390,000)
Weighted average numbers of share outstanding		2,735,818,843	2,928,585,698
Net income per share - R\$		0.87	1.16

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)

			Income reserves					Asset
	Note	Capital	Capital reserve	Legal	Unrealized	Statutory	Total	valuation
								adjustm
Balances as at December 31, 2015		7,180,526	-	907,770	5,389,109	6,170,174	12,467,053	143
Capital Increase	19	40,000	3,960,000	-	-	(4,000,000)	(4,000,000)	
Share premium	2	-	(3,307,485)	-	-	-	-	
Own shares acquired	1	-	-	-	-	-	-	
Cancellation of treasury shares	1	-	-	-	-	(654,845)	(654,845)	
Intermediate interest on equity (R\$0.19 per share)	19	-	-	-	-	-	-	
Changes in fair value of assets available for sale		-	-	-	-	-	-	(105,
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	1
Net income for the year		-	-	-	-	-	-	
Net income allocation		-	-	-	-	-	-	
Income reserve		-	-	170,429	(2,152,576)	4,000,730	2,018,583	
Interest on equity (R\$0.32 per share)	19	-	-	-	-	-	-	
Balances as at December 31, 2016		<u>7,220,526</u>	<u>652,515</u>	<u>1,078,199</u>	<u>3,236,533</u>	<u>5,516,059</u>	<u>9,830,791</u>	<u>39</u>
Capital increase	19	171,566	-	-	-	-	-	
Own shares acquired	19b	-	-	-	-	-	-	
Cancellation of treasury shares	19b	-	-	-	-	(467,748)	(467,748)	
Interest on equity received by on shares repurchase		-	-	-	-	-	-	
Changes in fair value of assets available for sale		-	-	-	-	-	-	58
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	51
Currency translation adjustments		-	-	-	-	-	-	278
Foreign Investment hedge		-	-	-	-	-	-	(313,
Intermediate interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	
Adjustments by previous years		-	-	-	-	-	-	
Net income for the year		-	-	-	-	-	-	
Net income allocation		-	-	-	-	-	-	
Income reserve		-	-	103,308	(432,713)	1,373,174	1,043,769	
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	
Balances as at December 31, 2017		<u>7,392,092</u>	<u>652,515</u>	<u>1,181,507</u>	<u>2,803,820</u>	<u>6,421,485</u>	<u>10,406,812</u>	<u>114</u>

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

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	2017	2016
Operating activities			
Net income for the year		2,383,863	3,408,583
Adjustments to net income		(146,029)	3,015,936
Equity pick up from associates and jointly controlled entities	13	(4,800)	794,040
Interest expense with subordinated debt		1,136,022	923,708
Deferred income tax and social contribution		(1,489,806)	765,065
Goodwill amortization	22	166,023	165,909
Goodwill exchange variation	14	(7,942)	73,740
Permanent assets exchange variation		(10,740)	68,001
Depreciation and amortization	23	65,214	225,473
Adjusted net income for the year		2,237,834	6,424,519
(Increase)/decrease in operational activities			
Short-term interbank investments		(1,489,745)	2,051,853
Securities and derivative financial instruments		1,302,376	(2,432,100)
Loans		(3,552,093)	14,059,939
Other receivables and other assets		2,123,170	10,650,802
Interbank transactions		532,005	(316,177)
Interdependencies transactions		(58,246)	82,602
Other liabilities		452,891	1,041,607
Deferred income		(21,210)	(168,592)
Deposits		1,491,799	(34,784,422)
Open market funding		8,986,248	5,309,572
Loans and borrowings		1,185,103	(1,755,280)
Cash provided by operating activities		13,190,132	164,323
Investing activities			
Sale of other investment		(13,498)	22,050
Sale of investments	13	1,291,849	1,854,247
Acquisition of equity interests	13	(306,025)	(6,018)
Dividends and interest on equity received	13	323,081	291,680
Acquisition of property		(11,570)	(47,617)
Sale of property		8,038	8,883
Acquisition of intangible assets		(27,395)	(33,341)
Business combination / desconsolidation, net of cash		-	(13,003,159)
Sale of intangible assets		2,795	-
Cash provided by / (used in) investing activities		1,267,275	(10,913,275)
Financing activities			
Acquisition of treasury shares		(489,977)	(593,285)
Funds from securities issued and accepted		(46,156)	(9,223,533)
Subordinated debt and debt instrument eligible to equity		(3,363,668)	(2,793,151)
Non-controlling interest		2,813	(103,897)
Interest on equity	19	(1,504,728)	(992,774)
Capital increase	19	171,566	-
Cash (used in) financing activities		(5,230,150)	(13,706,640)
Increase / (decrease) in cash and cash equivalents		9,227,257	(24,455,592)
Balance of cash and cash equivalents	26		
At the beginning of the year		13,973,748	38,429,340
At the end of the year		23,201,005	13,973,748
Increase / (decrease) in cash and cash equivalents		9,227,257	(24,455,592)
Non-cash transaction		1,160,648	(3,647,718)
Dividends and interest on equity received		-	16,009
Interest on equity received by own shares repurchase		15,272	-
Interest on equity payable		(608,977)	(890,000)
Assets transfer, held for sale		-	1,810,547
Acquisition / Increase/ Transfer of equity interests		1,696,275	(4,478,665)
Changes in fair value of assets available for sale		58,078	(105,609)

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)

	Note	2017	2016
Income		11,120,714	16,998,720
Financial brokerage		9,523,750	13,451,145
Services rendered	20	1,596,964	2,697,783
Other		-	849,792
Expenses		(5,778,384)	(6,642,609)
Financial brokerage		(5,739,996)	(6,545,633)
Allowance for loan losses and other receivables	10	106,754	(96,976)
		(145,142)	-
Inputs acquired from third parties		(2,532,155)	(1,753,388)
Materials, energy and other		(12,434)	(16,720)
Outsourced services		(2,519,721)	(1,736,668)
Gross value added		2,810,175	8,602,723
Depreciation and amortization	23	(65,214)	(225,473)
Net value added produced by the entity		2,744,961	8,377,250
Value added received through transfer		4,800	(794,040)
Equity in the earnings of associates and jointly controlled entities		4,800	(794,040)
Value added to be distributed		2,749,761	7,583,210
Distribution of value added		2,749,761	7,583,210
Personnel		1,337,934	2,398,125
Direct compensation		1,161,066	2,023,579
Benefits		95,675	198,801
FGTS – government severance pay fund		81,193	175,745
Taxes, fees and contributions		(1,046,538)	1,669,020
Federal		(1,113,783)	1,555,544
Municipal		67,245	113,476
Remuneration of third party capital		82,363	155,984
Rent expenses		82,363	155,984
Remuneration of shareholders		2,376,002	3,360,081
Retained earnings		3,611,687	2,018,583
Interest on equity		(1,227,824)	1,390,000
Non-controlling interest		(7,861)	(48,502)

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, 2017

(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 relating to commercial, including exchange, investment portfolios, credit, financing and investment, leasing and real estate loans.

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

BTG Pactual concluded its strategic plan to improve liquidity and preserve capital; and the measures implemented as well as the ones planned, particularly the sale of BSI, spin-off of the commodities business as well as the cost reduction program, have brought it to levels of liquidity and capital better than its historical levels.

Special Committee

On December 4, 2015, the Board of Directors created a Special Committee, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados (together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

On April 7, 2016, the Special Committee, assisted by the Legal Counsel, concluded their investigation and released their final report. Based on its investigation, the Counsel found no basis to conclude that Mr. André Esteves, BTG Pactual or any of its personnel under investigation engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, the Brazilian Supreme Court authorized Mr. André Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

New unit programs

On February 14, 2017 the Board of Directors approved two new unit programs, whose units will be traded on the B3 S.A., representing exclusively the securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by the Bank, and (ii) units to be traded under the PPLA11 ticker symbol, comprised of one Brazilian depository receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by PPLA Participations Ltd (previously named BTG Pactual Participations Ltd).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2017

(In thousands of reais, except otherwise indicated)

In August 2017, considering a notice from B3 S.A., regarding the trading price of PPLA11 units approaching R\$1.00 per unit, the Companies analyzed potential structure to meet requirements of the applicable regulation.

The Boards of Directors of the Companies approved, the automatic migration of all currently remaining BBTG11 unit holders to the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for BTGP investors. Each holder of a BBTG11 unit as of the end of the trading session on August 18, 2017, starting from the beginning of the trading session on 2 August 21, 2017, automatically hold one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit previously held by such holder, without any other significant change to such holders.

Units buyback Program

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 109,419,830 units have been repurchased in the total amount of R\$1,535,450 and 104,192,230 units had been canceled, in the amount of R\$1,442,387. On December 31, 2017, 5,227,600 units are held in treasury.

2. Corporate reorganization and acquisitions

Corporate events

On October 27, 2017, the Bank approved the merger of Thor Comercializadora de Energia S.A., a company whose main activity is the sale of energy, and BTG Pactual Serviços Energéticos Ltda, a company that provides financial administrative services involving the sale of energy. The completion of the transaction is subject to regulatory approvals.

On January 2017, the shareholders of BTG Pactual approved without qualification, the merger of BTG Pactual Comercializadora de Energia Ltda by the Bank. On May 31, 2017, the BTG Comercializadora Ltda was merged by BTG Pactual.

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazilian energy trading desk from the operational structure of BTG Pactual and to restructure the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners (“Engelhart CTP”), which is operating separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm’s length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. Up to five years after the completion of the separation, Engelhart CTP have the option to acquire its remaining equity interest held by the Bank for its equity value.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2017

(In thousands of reais, except otherwise indicated)

Further to the process of separation of its commodity trading activities, on October 13, 2016 the Bank informed its shareholders and the market in general that (i) 596,209,676 Class A shares of Engelhart CTP were delivered to the shareholders that elected to receive equity interest in Engelhart CTP in exchange for the Bank's 596,209,676 Class C Preferred Shares ("PNCs") that were allocated to such alternative, and (ii) 59,457,673 additional BBTG11 units were added, as at October 14, 2016, to the shares registry of those shareholders that did not elect to receive equity interests in Engelhart CTP. BTG Pactual is recognizing the remaining stake as an investment in an associate entity based on the equity method.

During the year ended December 31, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.62% (December 31, 2016 – 6.1%) of its own shares held by the Bank. The total consideration paid was US\$251 million (December 31, 2016 - US\$150 million) and the price was equivalent to Engelhart CTP's net asset accounting value. On December 31, 2017 the Group has a stake equivalent to 19.44% of Engelhart CTP.

Acquisitions and disposals

On November 2017, Banco Pan S.A. approved a capital increase in the amount of R\$400 million. CaixaPar assigned to Banco its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on January, 2018.

On October 31, 2017, BW Properties S.A., through its subsidiary BW1 Morumbi Empreendimento Imobiliário Ltda., concluded the sale of the remaining portion of the WT Morumbi project for a total amount of R\$ 231.8 million.

On October 5, 2017, the Bank acquired Novaportfólio, a company that holds certain NPL assets of Banco BVA S.A. in connection with its extrajudicial liquidation, for a consideration of R\$211 million.

On November 1, 2016, BTG Pactual sold 100% of BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF390 million. EFG's stake were accounted for using the equity pick up method.

On March 15, 2017, BTG Pactual received a notification from EFG claiming purchase price adjustments under the documents for the sale of BSI, of approximately CHF278 million in favor of EFG International ("EFG"). After careful review of such proposed adjustments and based on available information as at this date, BTG Pactual, after taking into consideration the input from its advisers, concluded the appropriate adjustment on a risk-adjusted basis could be CHF95.7 million in favor of BTG Pactual. On July 17, 2017, after negotiation with EFG, the Bank has agreed to return CHF 89 million of the amount previously paid by EFG. The resolution of this matter includes the CHF 95 million fine previously imposed by FINMA on BSI.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2017

(In thousands of reais, except otherwise indicated)

In December, 2016, the bank repurchased Thor Comercializadora de Energia S.A., which had been sold on October 30, 2015. The completion of the repurchase is subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

In November 2016, BTG Pactual, together with its joint-venture partner, entered into definitive agreements to sell 100% of the equity interests in Maybrooke Holdings S.A. ("Maybrooke"), the holding company of Ariel Re, for an estimated cash consideration of US\$235 million. On February 6, 2017, the sale transaction of Maybrooke equity interest was completed, and generated a loss in the amount of R\$35 million.

In November 2016, the Bank entered into definitive agreements to acquire 70% of the shares of Enforce Gestão de Ativos S.A. ("Enforce"), which operates in the recovery of corporate loan portfolios, in the amount of R\$19 million. On December 19, 2016, the acquisition transaction of Enforce equity interest, was approved.

In February 2016, BSI sold its remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer ("BPO"), in the amount of CHF90 million.

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 financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE).

The preparation of the 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 record 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 the fair value measurement of 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 and its subsidiaries periodically review these estimates and assumptions.

The consolidated financial statements were approved by the Bank's management on February 27, 2018, 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, 2017

(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 investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. 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 - %	
		2017	2016
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 Comercializadora de Energia Ltda.	Brazil	-	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	77.93	73.93
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual TTG Participações S.A.	Brazil	-	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
BTG Pactual Serviços Energéticos Ltda.	Brazil	-	100.00
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	-
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
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
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 Pactual Asia Limited	Hong Kong	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
Infra IX Empreendimentos e Participações 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 Capital 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 Seguros de Vida	Chile	100.00	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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2017

(In thousands of reais, except otherwise indicated)

	Country	Equity interest - %	
		2017	2016
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
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
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	100.00	-
TTG Forestry Services LLC	USA	100.00	-
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Real Estate Luxembourg Holding S.A.	Luxembourg	100.00	-
BTG Pactual RE Income S.A	Colombia	100.00	-
BTG Pactual Chile Asesorias Financieras	Chile	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	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 Real Estate Fund Ltd	Cayman	-	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
BTG Pactual Intl Port Fund II SPC – Class Commodities	Cayman	-	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	-
BTGP Int Fund II SPC - BTGPH Corp Hedge	Brazil	100.00	-
BTG PACTUAL RED FIP - MULT. INV.	Brazil	100.00	-

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) stockholders' 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.

BANCO BTG PACTUAL S.A. and subsidiaries

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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 asset and liability transactions

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, 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 under the following categories:

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.

ii. Available for sale securities

These are securities that are neither classified as trading securities nor 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.

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

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.

The 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 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 the statements of income.
- 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 the statement 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 stockholders' equity, and reclassified to income for the period in the event of the 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 against their results.

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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 recorded in memorandum accounts.

f. 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 simultaneously realize the asset and settle the liability.

g. 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 sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

h. 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.

i. Allowance for loan losses

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

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, written off loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.

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- 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.

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions 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, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the Company 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 benefit are expected from their disposal.

k. 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.

l. Foreign currency translation

See note 3b.

m. 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 jointly controlled entities, and in deferred income to subsidiaries.

n. Property and equipment in use and deferred charges

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

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o. 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. Comprised by (i) goodwill paid in acquisition transferred to intangible asset 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.

p. 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 bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

q. 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.

r. 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 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

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iii. Legal obligation – tax and social security

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

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Bank's committee/area structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. 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 our 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, 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.

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.

BANCO BTG PACTUAL S.A. and subsidiaries

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December 31, 2017

(In thousands of reais, except otherwise indicated)

a. Operational limits

	2017	2016
Reference Shareholders' Equity	18,473,348	17,672,754
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	18,527,813	17,727,219
Tier I	14,773,238	16,216,254
Common Equity	11,752,635	11,924,484
Complementary Equity	3,020,603	4,291,770
Tier II	2,369,416	3,421,161
Reference Shareholders' Equity (PR) - (a)	17,142,654	19,637,415
Required Reference Shareholders' Equity (PRE)	8,787,351	9,571,425
Total exposure risk-weighted - (b)	94,998,390	91,156,431
Credit risk	56,089,429	55,813,608
Operational risk	4,615,858	3,385,968
Market risk	34,293,103	31,956,855
Basel ratio - (a/b)	18.0%	21.6%
Tier I capital	15.5%	17.8%
Tier II capital	2.5%	3.8%
Fixed assets ratio	61.6%	77.1%
Fixed assets to equity capital ratio	8,562,702	9,813,329
Status for fixed assets to equity capital ratio	5,272,947	7,567,019
Amount of margin (insufficiency)	3,289,755	2,246,310

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, 2017 and 2016 the Bank was in compliance with all operating limits.

b. Market 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.

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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 year ended:

In millions of R\$	December 2017	December 2016	December 2015
Daily average VaR	120.3	141.3	125.6

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.

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 carefully 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.

BANCO BTG PACTUAL S.A. and subsidiaries

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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.

6. Cash at banks

Cash at banks refers basically to deposits abroad in prime banks.

7. Interbank investments

	2017					2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	26,568,613	24,548,903	1,424,202	85,923	509,585	18,810,107
Own portfolio	3,107,558	2,682,545	261,910	-	163,103	1,293,206
Federal government bonds	2,940,700	2,550,517	253,526	-	136,657	1,204,460
Corporate bonds	166,858	132,028	8,384	-	26,446	88,746
Third-party portfolio	18,808,858	18,402,219	354,791	5,808	46,040	13,879,352
Federal government bonds	18,711,441	18,326,709	354,791	5,808	24,133	13,838,735
Corporate bonds	97,417	75,510	-	-	21,907	2,137
Foreign government bonds	-	-	-	-	-	38,480
Short position	4,652,197	3,464,139	807,501	80,115	300,442	3,637,549
Federal government bonds	4,652,197	3,464,139	807,501	80,115	300,442	3,544,580
Foreign government bonds	-	-	-	-	-	92,969
Interbank investments (*)	1,223,674	1,218,512	5,162	-	-	1,942,576
Interbank deposit certificates	497,524	492,362	5,162	-	-	530,326
Investments in foreign currency - overnight	726,150	726,150	-	-	-	1,412,250
Total	27,792,287	25,767,415	1,429,364	85,923	509,585	20,752,683

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

The collateral received in repurchase agreements amounts to R\$34,410,680 (December 31, 2016 - R\$19,162,823), whereas the collateral granted amounts to R\$33,951,141 (December 31, 2016 - R\$25,151,446).

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8. Securities

a. By type of portfolio

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

	2017							2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	15,110,649	16,210,815	5,422,218	385,782	780,340	389,860	9,232,615	13,383,987
Federal government bonds	1,081,671	1,081,671	857,728	223,943	-	-	-	5,273,562
Brazilian foreign debt securities	-	-	-	-	-	-	-	9,031
Debentures/Eurobonds (i)	947,285	776,075	928	71,715	271,122	178,649	253,661	444,582
Bank certificates of deposit	-	-	-	-	-	-	-	108
Investment fund quotes								
Shares	-	-	-	-	-	-	-	130,060
Multimarket	4,755,214	5,030,807	1,647,167	-	-	-	3,383,640	1,935,931
FIDC - Credit Rights	44,021	49,913	5,891	40,672	-	-	3,350	5,892
Real Estate	57,107	57,107	-	-	-	-	57,107	4,563
Equity Investment fund	404,068	398,113	18,968	-	-	-	379,145	847,758
Shares	4,048,240	5,524,664	1,822,048	-	252,131	-	3,450,485	3,155,508
Promissory notes	-	-	-	-	-	-	-	30,546
Certificate of real estate receivables	379,331	380,060	-	4,344	-	3,536	372,180	34,120
Other	-	-	-	-	-	-	-	14,476
Foreign government bonds	1,305,157	944,887	617,648	40,181	138,831	37,638	110,589	475,605
Foreign private securities	2,088,555	1,967,518	451,840	4,927	118,256	170,037	1,222,458	1,022,245
Unrestricted portfolio	286,514	144,227	-	8,483	71,760	35,266	28,718	185,449
Federal government bonds	286,514	144,227	-	8,483	71,760	35,266	28,718	185,449
Subject to repurchase agreements	10,377,478	8,730,358	477,655	835,429	3,858,660	1,308,978	2,249,636	7,164,293
Federal government bonds	8,320,245	6,729,304	9,172	805,656	3,322,364	980,140	1,611,972	4,961,034
Brazilian foreign debt securities	-	-	-	-	-	-	-	10,076
Certificate of real estate receivables	-	-	-	-	-	-	-	314,623
Foreign government bonds	1,242,376	1,255,784	463,732	-	366,233	68,081	357,738	181,874
Foreign private securities	160,408	162,356	757	-	52,951	27,445	81,203	460,625
Debentures / Eurobonds (i)	654,449	582,914	3,994	29,773	117,112	233,312	198,723	1,236,061
Subject to guarantees	3,401,484	2,757,792	904,488	73,125	1,325,962	107,554	346,663	4,842,169
Federal government bonds	2,222,625	1,531,613	49,250	40,847	1,307,592	107,554	26,370	3,968,253
Investment fund quotes								
Multimarket	309,088	352,549	322,227	-	-	-	30,322	244,978
Debentures / Eurobonds (i)	-	-	-	-	-	-	-	101,380
Bank credit certificate	54,578	54,578	54,578	-	-	-	-	-
Certificate of real estate receivables	13,741	14,463	-	-	14,463	-	-	24,017
Shares	765,267	768,404	478,433	-	-	-	289,971	422,913
Bank certificates of deposit	-	-	-	-	-	-	-	64,886
Foreign private securities	36,185	36,185	-	32,278	3,907	-	-	15,742
Trading securities	22,437,372	21,447,791	6,595,772	1,024,474	2,513,503	488,927	10,825,115	18,258,886
Available for sale securities	2,268,655	1,925,303	208,589	63,314	218,375	402,508	1,032,517	2,378,011
Held-to-maturity securities	4,470,098	4,470,098	-	215,031	3,304,844	950,223	-	4,939,001
Total	29,176,125	27,843,192	6,804,361	1,302,819	6,036,722	1,841,658	11,857,632	25,575,898

(i) Substantially securities issued by Brazilian companies.

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b. Trading securities

	2017							2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	13,482,110	14,926,351	5,230,763	352,241	693,540	220,664	8,429,143	12,684,090
Federal government bonds	1,081,671	1,081,671	857,728	223,943	-	-	-	5,273,562
Brazilian foreign debt securities	-	-	-	-	-	-	-	9,031
Debentures/Eurobonds	353,669	363,350	-	38,174	184,322	12,754	128,100	20,953
Bank certificates of deposit	-	-	-	-	-	-	-	108
Investment fund quotes								
Shares	-	-	-	-	-	-	-	130,060
Multimarket	4,755,214	5,030,807	1,647,167	-	-	-	3,383,640	1,935,931
FIDC - Credit Rights	44,021	49,913	5,891	40,672	-	-	3,350	5,892
Real Estate	57,107	57,107	-	-	-	-	57,107	4,563
Equity Investment fund	235,482	229,527	18,968	-	-	-	210,559	717,825
Shares	4,048,240	5,524,664	1,822,048	-	252,131	-	3,450,485	3,155,508
Certificate of real estate receivables	43,682	44,412	-	4,344	-	235	39,833	-
Foreign government bonds	999,422	792,019	464,780	40,181	138,831	37,638	110,589	408,412
Foreign private securities	1,863,602	1,752,881	414,181	4,927	118,256	170,037	1,045,480	1,022,245
Unrestricted portfolio	286,514	144,227	-	8,483	71,760	35,266	28,718	185,449
Federal government bonds	286,514	144,227	-	8,483	71,760	35,266	28,718	185,449
Subject to repurchase agreements	6,160,268	4,513,147	473,661	590,625	1,272,505	125,443	2,050,913	3,038,362
Federal government bonds	4,685,948	3,095,007	9,172	590,625	853,321	29,917	1,611,972	2,385,787
Brazilian foreign debt securities	-	-	-	-	-	-	-	10,076
Foreign government bonds	1,242,376	1,255,784	463,732	-	366,233	68,081	357,738	181,874
Foreign private securities	160,408	162,356	757	-	52,951	27,445	81,203	460,625
Subject to guarantees	2,508,480	1,864,066	891,348	73,125	475,698	107,554	316,341	2,350,985
Federal government bonds	1,386,824	695,812	49,250	40,847	471,791	107,554	26,370	1,604,499
Investment fund quotes								
Multimarket	265,626	309,087	309,087	-	-	-	-	244,978
Bank credit certificate	54,578	54,578	54,578	-	-	-	-	-
Shares	765,267	768,404	478,433	-	-	-	289,971	422,913
Bank certificates of deposit	-	-	-	-	-	-	-	64,886
Foreign private securities	36,185	36,185	-	32,278	3,907	-	-	13,709
Total	22,437,372	21,447,791	6,595,772	1,024,474	2,513,503	488,927	10,825,115	18,258,886

c. Available-for-sale securities

	2017							2016
	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	1,628,539	1,284,464	191,455	33,541	86,800	169,196	803,472	699,897
Investment fund quotes								
Equity investment fund	168,586	168,586	-	-	-	-	168,586	129,933
Debentures	593,616	412,725	928	33,541	86,800	165,895	125,561	423,629
Certificate of real estate receivables	335,649	335,648	-	-	-	3,301	332,347	34,120
Promissory notes	-	-	-	-	-	-	-	30,546
Foreign government bonds	305,735	152,868	152,868	-	-	-	-	67,193
Foreign private securities	224,953	214,637	37,659	-	-	-	176,978	14,476
Subject to repurchase agreements	582,913	582,914	3,994	29,773	117,112	233,312	198,723	1,550,684
Debentures	582,913	582,914	3,994	29,773	117,112	233,312	198,723	1,236,061
Certificate of real estate receivables	-	-	-	-	-	-	-	314,623
Subject to guarantees	57,203	57,925	13,140	-	14,463	-	30,322	127,430
Debentures	-	-	-	-	-	-	-	101,380
Investment fund quotes								
Multimarket	43,462	43,462	13,140	-	-	-	30,322	-
Certificate of real estate receivables	13,741	14,463	-	-	14,463	-	-	24,017
Promissory notes	-	-	-	-	-	-	-	2,033
Total	2,268,655	1,925,303	208,589	63,314	218,375	402,508	1,032,517	2,378,011

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d. Held-to-maturity securities

	2017						2016
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Subject to re purchase	3,634,297	-	215,031	2,469,043	950,223	-	2,575,247
Federal government bonds	3,634,297	-	215,031	2,469,043	950,223	-	2,575,247
Subject to guarantees	835,801	-	-	835,801	-	-	2,363,754
Federal government bonds	835,801	-	-	835,801	-	-	2,363,754
Total	4,470,098	-	215,031	3,304,844	950,223	-	4,939,001

If measured at fair value, held-to-maturity securities would be reported as at the year ended December 31, 2017 with a positive adjustment of R\$198,515 (December 31, 2016 – R\$36,279 negative).

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

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the year ended in December 31, 2017 and 2016.

9. Derivative financial instruments

The Bank actively engages 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, 2017 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 head office. As at the year ended December 31, 2016, the Bank does not have derivative financial instruments classified as hedge accounting.

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	2017		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations (i)	12,256,669	(313,585)	6,164,992

(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 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 memorandum 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. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward ("NDF") and Deliverable Forward ("DF") derivatives in the table below.

	2017				2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	118,286	1,171	5,038	124,495	81,712,301
Currency	-	-	-	-	6,766,707
Interest rate	-	-	-	-	74,840,749
Equities	-	-	-	-	22
Other	118,286	1,171	5,038	124,495	104,823
Short position	95,043	-	232	95,275	18,262,714
Currency	-	-	-	-	70
Interest rate	-	-	-	-	18,070,715
Commodities	-	-	-	-	7,549
Equities	-	-	-	-	22
Other	95,043	-	232	95,275	184,358
Swap					
Long position	42,376,204	36,092,871	59,127,518	137,596,593	63,801,633
Currency	894,793	345,518	3,341,591	4,581,902	2,116,247
Interest rate	37,221,356	33,768,044	50,756,170	121,745,570	61,192,473
Index	2,601,355	319,794	3,854,886	6,776,035	246,295
Equities	189,804	294,321	36,441	520,566	63,156
Commodities	15,804	5,027	-	20,831	-
Federal government bonds	-	-	-	-	744
Other	1,453,092	1,360,167	1,138,430	3,951,689	182,718
Short position	42,376,204	36,092,871	59,127,518	137,596,593	63,801,633
Currency	894,794	345,518	3,341,591	4,581,903	10,766,256
Interest rate	38,027,679	35,220,334	51,708,786	124,956,799	46,826,281
Index	2,614,089	324,603	3,866,312	6,805,004	4,078,690
Equities	379,483	99,995	-	479,478	1,499
Federal government bonds	-	-	-	-	744
Other	460,159	102,421	210,829	773,409	2,128,163

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	2017				2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Credit Derivatives					
Long position	16,540	39,034	82,700	138,274	543,617
Sovereign	-	-	-	-	505,160
Corporate	16,540	39,034	82,700	138,274	38,457
Short position	-	-	-	-	93,048
Sovereign	-	-	-	-	11,570
Corporate	-	-	-	-	81,478
Non-deliverable forward - NDF					
Long position	40,715,403	15,385,884	14,819,422	70,920,709	41,500,091
Currency	32,503,501	8,903,155	106,554	41,513,210	20,355,769
Commodities	6,468,342	6,385,064	14,581,414	27,434,820	21,028,246
Interest rate	1,743,560	97,665	131,454	1,972,679	116,076
Short position	40,715,403	15,385,884	14,819,422	70,920,709	41,500,091
Currency	32,503,501	8,903,155	106,554	41,513,210	16,402,183
Commodities	6,468,342	6,385,064	14,581,414	27,434,820	21,028,246
Interest rate	1,743,560	97,665	131,454	1,972,679	4,069,662
Deliverable forward - DF					
Long position	9,181,192	684,629	102,500	9,968,321	11,921,236
Currency	9,181,192	684,629	102,500	9,968,321	11,921,236
Short position	9,181,192	684,629	102,500	9,968,321	11,921,236
Currency	9,181,192	684,629	102,500	9,968,321	11,921,236
Security forwards					
Long position	1,037,415	-	-	1,037,415	210,070
Interest rate	716,003	-	-	716,003	-
Government bonds	321,412	-	-	321,412	210,070
Short position	1,037,415	-	-	1,037,415	210,070
Interest rate	321,412	-	-	321,412	210,070
Government bonds	716,003	-	-	716,003	-
Options market					
Call option - long position	11,096,070	32,037	626,241	11,754,348	14,294,032
Equities	80,755	-	274,200	354,955	411,248
Currency	8,025,946	15,881	-	8,041,827	7,849,901
Corporate	-	-	2,492	2,492	-
Index	566,170	8,078	47,132	621,380	-
Interest rate	2,423,199	8,078	302,417	2,733,694	5,957,476
Other	-	-	-	-	75,407
Put option - long position	17,929,550	20,104,839	479,504	38,513,893	24,313,372
Equities	186,950	-	87,662	274,612	878,183
Index	207,158	246,254	39,629	493,041	3,818
Corporate	-	-	224,922	224,922	-
Currency	9,908,268	19,058	-	9,927,326	7,984,634
Interest rate	7,627,174	19,839,527	127,291	27,593,992	15,112,500
Other	-	-	-	-	334,237
Call option - short position	7,686,892	217,059	-	7,903,951	9,989,808
Equities	147,153	-	-	147,153	255,232
Currency	5,811,695	199,058	-	6,010,753	9,570,051
Index	1,728,044	18,001	-	1,746,045	-
Other	-	-	-	-	164,525

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	2017				2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Put option - short position	11,527,011	19,862,757	529	31,390,297	22,975,619
Equities	336,008	-	529	336,537	201,889
Index	67,219	15,426	-	82,645	4,257
Currency	5,896,542	15,881	-	5,912,423	7,072,728
Interest rate	5,227,242	19,831,450	-	25,058,692	15,106,000
Other	-	-	-	-	590,745

b. By cost and market value

	2017					2016
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	101,356	101,355	72,449	20,599	8,307	-
Short position	83,526	83,527	61,060	19,429	3,038	-
Swaps						
Long position	707,558	1,204,189	213,355	157,684	833,150	942,948
Short position	782,987	1,437,598	236,233	166,565	1,034,800	1,236,207
Credit derivatives						
Long position	71,843	142,712	50,440	1,599	90,673	16,245
Short position	23,158	46,316	46,261	55	-	1,065
Non-deliverable forward - NDF						
Long position	3,310,193	1,901,085	612,186	416,676	872,223	3,498,253
Short position	2,012,234	2,252,027	771,072	607,827	873,128	1,975,584
Deliverable forward - DF						
Long position	9,738,462	9,738,461	9,328,226	388,290	21,945	5,815,375
Short position	9,781,741	9,796,835	9,387,059	387,978	21,798	5,869,432
Security forwards						
Long position	518,622	521,056	521,056	-	-	209,875
Short position	518,518	518,537	518,537	-	-	209,978
Options market						
Long position	1,314,815	835,982	798,607	4,142	33,233	1,427,627
Short position	152,275	26,932	14,938	4,647	7,347	352,611
Long position	15,762,849	14,444,840	11,596,319	988,990	1,859,531	11,910,323
Short position	13,354,439	14,161,772	11,035,160	1,186,501	1,940,111	9,644,877

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c. Notional by counterparty

	2017					2016
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	-	124,495	-	-	124,495	81,712,301
Short position	-	95,275	-	-	95,275	18,262,714
Swap						
Long position	2,171,162	131,574,264	3,823,463	27,704	137,596,593	63,801,633
Short position	2,171,162	131,574,264	3,823,463	27,704	137,596,593	63,801,633
Credit derivatives						
Long position	-	138,274	-	-	138,274	543,617
Short position	-	-	-	-	-	93,048
Non-deliverable forward - NDF						
Long position	-	40,821,093	30,064,236	35,380	70,920,709	41,500,091
Short position	-	40,821,093	30,064,236	35,380	70,920,709	41,500,091
Deliverable forward - DF						
Long position	-	9,968,321	-	-	9,968,321	11,921,236
Short position	-	9,968,321	-	-	9,968,321	11,921,236
Security forwards						
Long position	-	1,037,415	-	-	1,037,415	210,070
Short position	-	1,037,415	-	-	1,037,415	210,070
Options market						
Long position	-	49,970,827	297,414	-	50,268,241	38,607,404
Short position	1,908,043	37,386,205	-	-	39,294,248	32,965,427
Long position	2,171,162	233,634,689	34,185,113	63,084	270,054,048	238,296,352
Short position	4,079,205	220,882,573	33,887,699	63,084	258,912,561	168,754,219

(i) Includes investments funds.

d. Credit derivatives

	2017	2016
Credit swap		
Transferred risk		
Sovereign	-	505,161
Corporate	-	38,457
Risk received		
Sovereign	138,274	(11,570)
Corporate	-	(81,478)
	138,274	450,570

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During the year ended December 31, 2017 and 2016, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at December 31, 2017 is R\$200,725 (December 31, 2016 – R\$64,237).

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\$1,849,183 (December 31, 2016 – R\$4,028,663) and shares in the amount of R\$765,032 (December 31, 2016 – R\$422,913).

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 are 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 brokers and 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 market prices, 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 custodians or administrators.
- 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.

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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	2017		2016	
	Balance	Allowance	Balance	Allowance
Loans	9,439,841	(619,973)	6,455,431	(500,124)
Financing	913,181	(100,029)	874,382	(67,174)
FINAME/BNDES	2,817,560	(13,915)	2,643,849	(13,018)
Securities financing	156,011	-	107,164	-
Transferred loans with co-obligations (i)	433,527	-	12,848	-
Total	13,760,120	(733,917)	10,093,674	(580,316)

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

ii. By risk level and maturity

Risk level	2017					2016		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	8,387	2,310,533	171,565	3,074,572	5,565,057	-	2,711,793	-
A	3,696	71,394	200,552	2,949,974	3,225,616	(15,681)	3,189,097	(15,450)
B	9,972	661,804	182,543	634,322	1,488,641	(15,027)	1,144,936	(11,326)
C	4,645	932,910	136,564	64,458	1,138,577	(56,297)	1,181,838	(49,535)
D	44,969	121,811	158,454	1,271,220	1,596,454	(200,976)	1,165,941	(156,310)
E	38,395	19,000	11,630	22,083	91,108	(27,567)	496,730	(190,354)
F	416,871	3,246	130,612	12,444	563,173	(327,161)	89,915	(48,324)
G	964	-	-	-	964	(675)	14,694	(10,287)
H	14,573	15,869	11,529	48,559	90,530	(90,533)	98,730	(98,730)
Total	542,472	4,136,567	1,003,449	8,077,632	13,760,120	(733,917)	10,093,674	(580,316)

iii. By activity sector

Sector	2017	2016
Commerce	1,332,948	234,416
Industry	2,404,767	331,499
Services	9,101,734	8,486,428
Rural	397,686	186,410
Individuals	522,985	854,921
Total	13,760,120	10,093,674

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b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

Risk level	2017						2016	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	4,314	-	-	4,314	-	277	-
C	-	-	51,621	-	51,621	(1,549)	83,612	(2,547)
D	-	-	-	-	-	-	44,776	(4,473)
F	-	5,516	-	15,031	20,547	(10,273)	-	-
H	-	-	-	-	-	-	362	(362)
Total	-	9,830	51,621	15,031	76,482	(11,822)	129,027	(7,382)

ii. By activity sector

Sector	2017	2016
Industry	76,482	362
Services	-	128,665
Total	76,482	129,027

c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	2017						2016	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	28,602	-	28,602	-	64,494	-
A	-	-	-	-	-	-	16,331	(82)
B	-	-	113,765	-	113,765	(1,173)	-	-
C	-	86,795	37,650	-	124,445	(4,836)	48,182	(1,473)
D	-	17,779	12,295	-	30,074	(5,869)	67,113	(8,380)
H	-	-	-	-	-	-	20,886	(20,886)
Total	-	104,574	192,312	-	296,886	(11,878)	217,006	(30,821)

ii. By activity sector

Sector	2017	2016
Industry	126,682	122,608
Services	170,204	94,398
Total	296,886	217,006

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d. Credit concentration

	2017	%	2016	%
Largest debtors				
10 largest debtors	6,578,322	48%	5,535,513	53%
20 following largest debtors	2,011,713	14%	1,782,333	17%
50 following largest debtors	2,138,088	15%	1,632,127	16%
100 following largest debtors	2,029,656	14%	1,115,806	11%
200 following largest debtors	1,171,901	8%	351,508	3%
500 following largest debtors	187,496	1%	21,488	0%
Above 500 following largest debtors	16,312	0%	932	0%
Total	14,133,488	100%	10,439,707	100%

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

	2017	2016
Opening balances	(835,069)	(2,288,630)
Reversal/(accrual) of allowance	106,754	(96,976)
Allowance from acquired / sale entity	-	402,913
Renegotiation/recovery of credits written off to loss	(401,706)	-
Allowance for guarantee	(73,191)	(15,505)
Exchange rate variation	845	384,497
Credits written off as loss	182,895	778,632
Closing balances	(1,019,472)	(835,069)
Breakdown of closing balances		
Allowance for loan losses	(733,917)	(580,316)
Allowance for other receivables (Note 10 (b))	(11,822)	(7,528)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(11,878)	(30,821)
Allowance for guarantes (Note 16)	(261,855)	(216,404)
	(1,019,472)	(835,069)

f. Renegotiation/recovery of credits written off as loss

As at December 31, 2017, the amount of R\$1,722,196 were due to credit renegotiation (December 31, 2016 – R\$1,230,379). Also in the period ended December 31, 2017 there were R\$145,835 written off loans recovered (December 31, 2016 – R\$50,605).

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11. Other receivables/obligations

a. Foreign Exchange portfolio

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	810,886	11,177,659	3,914,364	10,531,068
Rights on foreign exchange sales	11,193,962	-	10,781,197	-
(-) Advances on foreign exchange contracts	2,897	(293,989)	1,498	(215,508)
(-) Advances in foreign currency received	-	-	(326)	-
(-) Advances in local currency received	(37)	-	(1,280)	-
Liability for foreign exchange purchase	-	890,133	-	4,026,204
Total	<u>12,007,708</u>	<u>11,773,803</u>	<u>14,695,453</u>	<u>14,341,764</u>
Current	12,007,708	11,773,803	14,695,453	14,341,764
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$143,577 (December 31, 2016 - R\$390,593).

b. Securities trading and brokerage

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	372,741	264,839	868,149	392,195
Unsettled financial assets / liabilities	-	64	8,624	13,476
Pending settlement	3,023,323	1,467,741	1,875,932	1,320,974
Creditors for stock loans	-	570,106	-	1,276,467
Other securities trading and brokerage	-	203	-	469
Commissions and brokerage payable	202,174	1,929,630	38,105	1,098,377
Swap brokerage	129	-	113	-
Total	<u>3,598,367</u>	<u>4,232,583</u>	<u>2,790,923</u>	<u>4,101,958</u>
Current	3,598,367	4,232,583	2,790,923	4,101,958
Long-term	-	-	-	-

"Pending settlement" is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset 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.

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12. Other receivables

a. Income receivable

	2017	2016
Dividends and bonus	51,974	17,493
Receivables from services rendered	89,614	80,647
Rights on energy sales	1,925,051	455,647
Management and performance fees for investment funds and portfolio	412,319	290,405
Distribution fees	4,330	3,105
Commissions on guarantees	26,675	13,908
Total	2,509,963	861,205
Current	562,966	668,728
Long-term	1,946,997	192,477

b. Sundry

	2017	2016
Deferred tax assets - income and social contribution (note 18)	4,411,458	4,463,246
Deferred tax assets - Others	209,297	97,360
Sundry (i)	3,034,267	3,315,871
Held for sale (ii)	-	1,781,685
Judicial deposits	1,497,424	1,739,441
Taxes recoverable to offset	2,875,359	711,826
Securities and credits receivable		
With loan characteristics (note 10 b)	76,482	129,027
Without loan characteristics (iii)	697,091	548,358
Investment properties	554,525	780,447
Salaries advances	24,746	19,829
Advance to suppliers	108,237	514,152
Other	198,004	15,813
Total	13,686,890	14,117,055
Current	1,234,239	5,149,017
Long-term	12,452,651	8,968,038

(i) Includes receivables from sale of investmets.

(ii) On December 31, 2017, held for sale was transferred to securities..

(iii) On December 31, 2017, the line above has allowance losses of R\$113,911 (December 31, 2016 – R\$75,270), registered in “Other receivables - Allowance for losses in other receivables”.

BANCO BTG PACTUAL S.A. and subsidiaries

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(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Shareholders' Equity		Associates and jointly-controlled entities	
	Net income (loss)			
	2017	2016	2017	2016
In Brazil				
Banco Pan S.A.	3,555,824	3,412,162	212,606	(237,238)
Warehouse 1 Empreendimentos Imobiliários S.A.	34,337	29,758	4,583	673
Max Casa XIX Empreendimentos Imobiliários S.A.	1,592	2,679	(87)	4,879
ACS Omicron Empreendimentos Imobiliários S.A.	7,014	5,705	1,308	(452)
Pan Seguros S.A.	616,112	650,611	52,685	4,542
Pan Corretora S.A.	54,486	67,612	10,899	10,387
Abroad				
BTG Pactual Holding S.A.R.L.	-	4,373,293	-	467,898
Maybroke Holding S.A.	-	984,727	-	(10,471)
Engelhart CTP Group S.A.	2,260,025	4,565,815	(746,827)	(154,929)
EFG International (i) (ii)	7,146,953	6,411,200	71,107	-

(i) EFG International preliminary information, determined on sale date of BSI, as described on note 2.

(ii) On December 31, 2017, the equity on EFG include total return swap in the amount of CHF46,686.

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		Changes in investments				
	2016	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Fair value adjustment	Exchange variation	Equity earning subsidiaries
In Brazil						
Banco Pan S.A.	1,283,326	-	(28,166)	935	-	85
Negative Goodwill - Banco Pan	(56,884)	-	-	-	-	-
Warehouse 1 Empreendimentos Imobs S.A.	10,414	-	-	-	-	1
Max Casa XIX Empreendimentos Imobs S.A.	1,340	-	(500)	-	-	-
ACS Omicron Empreendimentos Imobs S.A.	2,553	(7)	(3,132)	-	-	-
BTG Pactual Vivere Participações S.A.	-	-	-	-	-	-
Pan Corretora S.A.	34,482	-	(12,253)	-	-	5
Pan Seguros S.A.	331,808	-	(44,572)	502	-	26
Other	6,018	(365)	-	-	-	(
Total	1,613,057	(372)	(88,623)	1,437	-	118
Abroad						
BTG Pactual Holding S.A.R.L. (i) (iv)	1,749,318	(1,696,275)	(164,554)	-	32,518	78
Maybroke Holding S.A. (i)	494,809	(485,733)	-	-	(20,798)	11
Engelhart CTP Group S.A. (ii)	1,372,257	(805,744)	-	-	(10,135)	(116,
EFG International (ii) (iii)	1,923,361	69,206	(69,904)	51,425	112,214	19
Goodwill - EFG International (ii)	999,339	236,819	-	-	(98,839)	(107,
Other non-consolidated BSI entities	-	-	-	-	-	-
	6,539,084	(2,681,727)	(234,458)	51,425	14,960	(114,
Total	8,152,141	(2,682,099)	(323,081)	52,862	14,960	4

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

(ii) As of September 30, 2016, Engelhart CTP and BSI Limited entities ceased to have its assets and liabilities consolidated, starting to be treated as investments in associates and jointly controlled entities.

(iii) It was not possible to determine the amount related to the equity pick-up in the Company's investment in EFG during the semester ended December 31, 2017. BTG Pactual will recognize the results of its participation in the investee periodically, at least every six months, whenever the information is publicly disclosed by the company.

(iv) During the year ended on December 31, 2017, the investment in BTG Pactual Holding S.A.R.L., was transferred to securities.

14. Intangible assets

	Changes in Intangible assets					2017
	2016	Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Goodwill	192,285	2,237	(2,731)	(166,023)	10,583	36,351
Cost	963,916	2,237	(2,731)	-	94,072	1,057,494
Amortization	(771,631)	-	-	(166,023)	(83,489)	(1,021,143)
Other intangible assets	174,450	89,968	(51,278)	(41,017)	(2,641)	169,482
Cost	336,540	89,968	(64)	-	4,458	430,902
Amortization	(162,090)	-	(51,214)	(41,017)	(7,099)	(261,420)
Total	<u>366,735</u>	<u>92,205</u>	<u>(54,009)</u>	<u>(207,040)</u>	<u>7,942</u>	<u>205,833</u>

The intangible assets amortization period is 5 years.

15. Fund raising and loans and borrowings

a. Summary

	2017						2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	9,178,313	4,807,766	3,495,540	137,333	737,674	-	7,690,817
Open market funding	33,890,221	27,223,360	4,013,169	459,973	197,624	1,996,095	24,903,973
Funds from securities issued and accepted	10,289,546	1,088,452	1,594,442	3,588,373	3,226,146	792,133	10,335,702
Loans and borrowings	4,729,925	1,095,654	206,516	897,367	149,109	2,381,279	3,544,822
Subordinated debts and subordinated debt eligible to equity	9,360,546	-	1,289,040	2,882,921	2,109,837	3,078,748	11,588,192
Total	<u>67,448,551</u>	<u>34,215,232</u>	<u>10,598,707</u>	<u>7,965,967</u>	<u>6,420,390</u>	<u>8,248,255</u>	<u>58,063,506</u>

b. Deposits

	2017						2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	441,320	441,320	-	-	-	-	128,552
Interbank deposits	136,840	22,400	88,708	25,732	-	-	226,135
Time deposits	8,600,153	4,344,046	3,406,832	111,601	737,674	-	7,336,130
Total	<u>9,178,313</u>	<u>4,807,766</u>	<u>3,495,540</u>	<u>137,333</u>	<u>737,674</u>	<u>-</u>	<u>7,690,817</u>

- (i) Include time deposit with special guarantee from FGC, with maturity until December 29, 2017. The deposits were indexed to interest referenced rates (CDI) between 100% p.a and 120% p.a.

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On December 4, 2015 a Memorandum of Understanding with the Fundo Garantidor de Créditos – FGC was executed to extend a credit line up to the amount of R\$6.0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personal guarantee by the controlling shareholders (Top Seven Partners); such collateral represent 120% of the credit line. On October 19, 2016, the financial assistance line obtained from FGC, had been fully paid.

c. Open market funding

Open market funding has collateral on the following securities:

	2017						2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	9,308,876	7,545,012	834,506	373,972	67,969	487,417	7,793,086
Federal government bonds	6,723,716	6,723,716	-	-	-	-	4,954,568
Corporate securities	1,245,449	403,372	834,506	7,571	-	-	2,694,044
Foreign securities	1,339,711	417,924	-	366,401	67,969	487,417	-
Foreign government bonds	-	-	-	-	-	-	144,474
Third-party portfolio	19,055,738	18,941,668	84,880	5,806	7,885	15,499	12,967,472
Federal government bonds	18,598,342	18,598,342	-	-	-	-	12,894,050
Corporate bonds	364,836	279,956	84,880	-	-	-	50,747
Foreign securities	29,190	-	-	5,806	7,885	15,499	-
Foreign government bonds	63,370	63,370	-	-	-	-	22,675
Unrestricted portfolio (i)	5,525,607	736,680	3,093,783	80,195	121,770	1,493,179	4,143,415
Federal government bonds	5,144,254	736,680	3,093,783	-	-	1,313,791	4,054,539
Foreign securities	381,353	-	-	80,195	121,770	179,388	-
Foreign government bonds	-	-	-	-	-	-	88,876
Total	33,890,221	27,223,360	4,013,169	459,973	197,624	1,996,095	24,903,973

(i) From the unrestricted portfolio, R\$4,770,136 (December 31, 2016 – R\$3,730,531) refers to short position and R\$755,471 (December 31, 2016 – R\$412,884) to third-party portfolio.

d. Funds from securities issued and accepted

	2017						2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	6,423,836	1,072,588	1,537,553	2,107,446	1,589,762	116,487	7,841,631
Financial bills	4,772,064	586,474	775,873	1,719,068	1,574,162	116,487	6,865,263
Mortgage bonds/letters of credit for agribusiness	1,575,503	409,845	761,680	388,378	15,600	-	964,695
Certificates of structured transactions	76,269	76,269	-	-	-	-	11,673
Securities – abroad	3,865,710	15,864	56,889	1,480,927	1,636,384	675,646	2,494,071
Medium term notes (i)	3,682,691	13,508	-	1,420,717	1,636,384	612,082	2,351,264
Fixed rate notes and others	183,019	2,356	56,889	60,210	-	63,564	142,807
Total	10,289,546	1,088,452	1,594,442	3,588,373	3,226,146	792,133	10,335,702

(i) During the year ended December 31, 2017, gains in the amount of R\$3,008 (December 31, 2016 – R\$203,764) were recognized by the Bank, as a result of notes acquired below par.

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As at December 31, 2017, securities in Brazil were basically indexed o interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.3% p.a. to 8.4% p.a. (December 31, 2016 – indexed to (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a.).

On December 31, 2017, securities abroad have rates between 3.17% p.a. and 8.0% p.a. (December 31, 2016 – between 1.45% p.a. and 8% p.a.).

e. Loans and borrowings

	2017						2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	1,920,118	1,084,398	147,097	688,623	-	-	768,480
Foreign currency	147,097	-	147,097	-	-	-	63,552
Loans abroad	1,773,021	1,084,398	-	688,623	-	-	704,928
Loans - Brazil	75,391	-	-	75,391	-	-	163,771
Loans	75,391	-	-	75,391	-	-	163,771
Borrowings in Brazil	2,734,416	11,256	59,419	133,353	149,109	2,381,279	2,612,571
FINAME/BNDES	2,734,416	11,256	59,419	133,353	149,109	2,381,279	2,612,571
Total	4,729,925	1,095,654	206,516	897,367	149,109	2,381,279	3,544,822

On December 31, 2017, securities abroad have rates between 0.16% p.a. and 8.54% p.a. (December 31, 2016 – between 0.25 p.a. and 6.4% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	2017					2016
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i) (iii)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	4,808,485	5,842,192
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,508,752	1,440,798
Subordinated debt eligible to equity - US\$ (ii) (iii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	3,043,309	4,305,202
Total					9,360,546	11,588,192

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) During the year ended December 31, 2017, gains in the amount of R\$374 (December 31, 2016 – R\$43,619) were recognized by the Bank, as a result of own notes acquired below par.
- (iii) The Bank cancel a total amount equivalent to US\$300 million in Senior 2020 bonds and US\$350 million in Tier II Subordinated 2022 bonds which have been acquired since 2015. Further, on October 2017, Banco received an authorization from Brazilian Central Bank to repurchase no later than December 1st 2017 up to US\$390 million of its perpetual bond - TIER 1 Capital.

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16. Other obligations

a. Social and statutory

	2017	2016
Dividends and profit sharing payable	612,403	894,208
Employees' profit sharing	678,304	563,345
Total	1,290,707	1,457,553
Current	1,290,707	1,457,553
Long term	-	-

b. Tax and social security

	2017	2016
Tax and contributions to be collected	189,681	282,360
Tax and contribution payable (i)	2,301,464	98,144
Deferred social contribution and income tax (Note 18)	81,288	78,535
Deferred PIS and COFINS	10	5,429
Total	2,572,443	464,468
Current	2,480,875	326,911
Long term	91,568	137,557

(i) During the year ended December 31, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the partial tax amortization of goodwill arising from the acquisition of the then named Banco Pactual S.A. by UBS AG in 2006 (as described in Note 17), the Bank joined the Special Tax Regularization Program ("PERT"), pursuant to Executive Decree 783, of May 31, 2017 and Executive Decree 798, of August 31, 2017.

Pursuant to the terms of the agreements related to the Acquisition and the Private Placement agreement of 2010, the financial costs of said adherence to PERT were borne by UBS AG and BTG Pactual Holding S.A., respectively, as approved by the Meeting of BTG Pactual's Board of Directors, and there will be no financial impact on the Bank.

c. Sundry

	2017	2016
Payable for acquisition of assets and rights (i)	1,074,677	1,084,923
Accounts payable - personnel	178,929	183,765
Provision for contingent liabilities (Note 17(c))	2,053,233	2,066,244
Other creditors - Brazil	2,678,845	1,809,643
Other creditors - Abroad	20,810	192,482
Allowance for guarantees (Note 10(e))	261,855	216,404
Obligations related to transferred loans	6,318	15,321
Other	22,522	42,623
Total	6,297,189	5,611,405
Current	386,849	1,830,505
Long term	5,910,340	3,780,900

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

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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

As at December 31, 2017 and 2016, the Bank did not record contingent assets.

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, 2017 are appropriate to cover probable losses arising therefrom.

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

	2017				2016
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	1,623,739	407,496	35,009	2,066,244	2,355,783
Recognition	128,355	92,573	25,848	246,776	726,859
Write-off	(25,048)	(224,721)	(10,018)	(259,787)	(1,016,398)
Balance at the end of the year	1,727,046	275,348	50,839	2,053,233	2,066,244
Other contingencies and Provision for contingent liabilities (Note 16 (c))				2,053,233	2,066,244

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

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 a 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.

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

As at December 31, 2017, 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, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$932 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of B3 S.A., challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$21 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- In October 2012, we received a tax assessment, which in December 31, 2017 totaled R\$2,439 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment.

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On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R\$330 million, as of December 31, 2016. On August 31, 2017 the Bank adhered to the Tax regularization program – PERT, and 20% of the debt is being paid in cash in 5 installments and the remaining 80% will be settled with deferred tax assets, including off-balance amounts and deferred tax asset acquired below nominal value, see note 16.b. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,919 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

- The Holding Internacional S.A. received a tax assessment of income tax paid abroad, and compensated in Brazil on 2012. The value of the booking is R\$ 145 millions. Against the booking, Holding presented an administrative appeal, which awaits trial in first instance.
- On December 2017, the Bank received a tax assessment which it is discussed insufficient recollection of PIS and COFINS and imposes fine isolated, referring to the year of 2012, in the amount of R\$ 173 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.
- On December 2017, in the capacity of the Banco Pan S/A sponsor, the Bank received a tax assessment-IRRF infringement allegedly due to the sale of investment in Brazil by a foreigner, referring to the year of 2012, in the amount of R\$69 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.
- On December 2017, the Bank received a tax assessment that seeks to collect income tax on the supposed capital gains in corporate incorporation, when One Properties was incorporated by BR Properties, in the amount of R\$1.002 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.

ii. Provision for other contingent liabilities

As at December 31, 2017 and 2016, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

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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:

	2017	2016
Income tax and social contribution		
Tax base	(139,014)	3,083,007
Income before taxes and profit sharing	1,777,874	5,194,519
Statutory profit sharing	(689,064)	(721,512)
Interest on equity	(1,227,824)	(1,390,000)
Total charge of income tax and social contribution at the current rates	55,458	(1,499,671)
Permanent (additions) / deductions in taxation calculation	229,235	(191,770)
Equity pick up in associated and jointly controlled companies in Brazil	220,373	102,459
Income/(loss) of foreign exchange on foreign investments	215,058	(673,580)
Foreign earnings	-	147,621
Dividends	22,417	82,975
Foreign Investment hedge/overhedge	(810,126)	-
Special Tax Regularization Program	314,519	-
Other Permanent (additions) / deductions	266,994	148,755
Temporary (additions) / deductions on the taxation calculation	(447,533)	1,596,145
Reversal of provision for goodwill on the acquisition of investments	16,847	128,032
Interest on equity	130,532	(401,328)
Fair value of securities and derivatives	(458,042)	1,752,933
Allowance for loan losses	20,271	(84,128)
Tax contingencies and provision for suspended-payment taxes	1,019	(4,502)
Interest on Special Tax Regularization Program	(152,276)	-
Other provisions	(5,884)	205,138
Offset of tax losses carry forward - Brazil	(39,774)	(252,565)
Tax and social contribution expense	(202,614)	(347,861)
Temporary differences		
Recognition / (reversal) of the year	437,565	(1,596,191)
Recognition on goodwill on investments	-	362,217
Recognition / (reversal) of tax losses carry forward	13,798	532,049
Recognition on foreign companies tax losses carry forward	-	(110,989)
Recognition / (reversal) of loss on investment abroad	448,080	30,382
Recognition of Special Tax Regularization Program	491,336	-
Other temporary differences	99,027	17,467
Expenses from deferred taxes	1,489,806	(765,065)
Total revenues / (expenses)	1,287,192	(1,112,926)

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.

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Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	2016	Recognition	Realization (i)	2017
Tax loss	1,380,635	438,498	(841,784)	977,349
Interest on equity	400,500	-	(130,532)	269,968
Allowance for loan losses	878,723	(605)	(259,196)	618,922
Fair value of securities and derivatives	1,372,210	567,238	(7,995)	1,931,453
Goodwill on the acquisition of investment	16,847	-	(16,847)	-
Tax contingencies and provision for suspended-payment taxes	187,143	-	(1,019)	186,124
Other temporary differences	226,853	204,652	(3,863)	427,642
	<u>4,462,911</u>	<u>1,209,783</u>	<u>(1,261,236)</u>	<u>4,411,458</u>
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	335	(335)	-	-
Total	<u>4,463,246</u>	<u>1,209,448</u>	<u>(1,261,236)</u>	<u>4,411,458</u>
Income tax and social contribution	2015	Recognition	Realization (i)	2016
Tax loss carryforwards	827,919	633,964	(81,248)	1,380,635
Interest on equity	-	400,500	-	400,500
Allowance for loan losses	837,220	222,999	(181,496)	878,723
Fair value of securities and derivatives	3,042,574	15,166,041	(16,836,405)	1,372,210
Goodwill on the acquisition of investment	150,228	-	(133,381)	16,847
Tax contingencies and provision for suspended-payment taxes	187,143	-	-	187,143
Other temporary differences	569,038	105,895	(448,080)	226,853
	<u>5,614,122</u>	<u>16,529,399</u>	<u>(17,680,610)</u>	<u>4,462,911</u>
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	14,045	-	(13,710)	335
Others	107,160	-	(107,160)	-
Total	<u>5,735,327</u>	<u>16,529,399</u>	<u>(17,801,480)</u>	<u>4,463,246</u>

(i) On December 31, 2017, the amount of R\$220,213 (December 31, 2016 – R\$32,078), refers to recovery paid taxes from investments abroad.

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
2018	2,568,919	155,283	2,724,202
2019	113,453	288,996	402,449
2020	99,921	178,497	278,418
2021	122,744	193,709	316,453
2022 onwards	529,072	160,864	689,936
Total	<u>3,434,109</u>	<u>977,349</u>	<u>4,411,458</u>
Present value	<u>2,813,071</u>	<u>920,094</u>	<u>3,733,165</u>

Deferred income tax and social contribution liabilities amounts to R\$81,288 (December 31, 2016 - R\$78,535), according to note 16(b).

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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 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

19.Shareholders equity

a. Capital

As at December 31, 2017, fully subscribed and paid in capital consists of 2,681,601,772 shares (December 31, 2016 – 2,778,465,411), of which 1,746,065,322 common shares (December 31, 2016 – 1,778,353,202), 486,180,110 class A preferred shares (December 31, 2016 – 550,755,870), 449,356,340 class B preferred shares (December 31, 2016 – 449,356,339), registered shares.

At Meeting of BTG Pactual's Board of Directors on September 29, 2017, was approved capital increase, in the amount of R\$171,567, with issuance of 1 class B preferred shares, both nominative and without par value. The capital increase was approved by BACEN on November 6, 2017.

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 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.

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b. Treasury shares

During the year ended December 31, 2017, the Bank bought own units, in connection with the approved repurchase program, in the amount of R\$489,977 (December 31, 2016 - R\$593,285), equivalent to 31,618,580 units (December 31, 2016 – 45,827,708). On the year ended December 31, 2017, there were R\$467,748 , equivalent to 32,287,880 units cancelled (December 31, 2016 – 39,930,808 units, in the amount of R\$654,845). On December 31, 2017, 5,227,600 units were held in treasury, in the amount of R\$93,063.

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.

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.

As at June 30, 2017 the Bank has accrued R\$630,000 (June 30, 2016 - R\$500,000), relating to interest on equity, equivalent to R\$0.23 (June 30, 2016 - R\$0.19) per share, which generated R\$283,500 (June 30, 2016 - R\$220,000) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2017, and the payment occurred on August 1, 2017.

As at December 31, 2017 the Bank has accrued R\$608,975 (December 31, 2016 – R\$890,000), relating to interest on equity, equivalent to R\$0.23 per share (December 31, 2016 - R\$ 0.32 per share), which generated R\$274,039 (December 31, 2016 - R\$400,500) of tax benefit.

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g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income	
	2017	2016	2017	2016
Banco BTG Pactual S.A.	18,473,348	17,672,754	2,070,278	3,408,583
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	54,465	-	-
Others (ii)	-	-	313,585	-
Banco BTG Pactual S.A. Consolidated	18,527,813	17,727,219	2,383,863	3,408,583

(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.

(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.

20. Income from services rendered

	2017	2016
Management and performance fee from investment funds and portfolios	569,044	1,157,649
Brokerage	158,870	473,351
Professional services	414,526	685,833
Commission over securities placement	195,840	144,675
Guarantees	244,431	226,422
Other services	14,253	9,853
Total	1,596,964	2,697,783

21. Other operating income

	2017	2016
Recovery of charges and expenses	9,589	9,723
Reversal of provision - other	6,911	69,265
Reversal of provision - contingencies	227,389	277,870
Monetary correction over judicial deposits	180,352	304,925
Foreign exchange rate gains	216,737	256,184
Warehousing revenues	-	84,996
Adjustment of amounts receivable for acquisition of investments	166,609	220,948
Other operating income	87,891	42,877
Total	895,478	1,266,788

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22. Other operating expenses

	2017	2016
Tax restatement expense	142,527	93,003
Foreign exchange rate losses	192,110	457,633
Monetary restatement expense	2,090	6,902
Adjustment of amounts payable for acquisition of investments (i)	116,397	147,352
Fair value of assets	63,687	-
Goodwill amortization (ii)	166,023	165,909
Discounts granted in credit renegotiation	44,548	76,419
Allowance for other receivables without loan characteristics	51,251	134,090
Allowance for guarantee	73,191	-
Net expenses of physical commodities	-	233,671
Other	193,536	42,141
Total	1,045,360	1,357,120

(i) Mainly due to the acquisition of Banco Pan S.A. and Banco Sistema S.A..

(ii) Mainly due to the of Celfin goodwill amortization.

23. Other administrative expenses

	2017	2016
Outsourced services and consulting	408,570	871,330
Telecommunications and data processing	225,983	379,438
Special Tax Regularization Program	1,632,357	-
Leases and condominiums	92,397	165,172
Travel and lodging	40,612	60,388
Expenses of the financial system	145,211	323,769
Advertising and public relations	47,930	52,489
Depreciation and amortization	65,214	225,473
Other	21,458	56,787
Total	2,679,732	2,134,846

24. Non-operating expenses / income

Refers basically to the losses/gains from sale of investments or adjustments arising from receivables from investments, as described on note 2.

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25.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	
	2017	2016	2017	2016	2017	2016
Assets						
Open market investments	-	-	27,171	527,100	27,171	527,100
Interbank investments deposits	-	-	400,058	435,000	400,058	435,000
Securities	-	-	49,336	237,547	49,336	237,547
Derivative financial instruments	-	8,275	72,276	3,658	72,276	11,933
Loans and Receivables	2,409,687	987,295	-	971,297	2,409,687	1,958,592
Sundry	-	564,500	-	-	-	564,500
Liabilities						
Interbank deposits	-	(58)	(85,704)	-	(85,704)	(58)
Time deposits	(59,602)	(108,658)	-	(7,747)	(59,602)	(116,405)
Demand deposits	(45)	-	-	-	(45)	-
Open market funding	-	-	-	-	-	-
Securities issued abroad	-	-	(755,288)	(1,723,067)	(755,288)	(1,723,067)
Derivative financial instruments	-	(483)	-	(13,399)	-	(13,882)
Sundry	-	-	-	(3,658)	-	(3,658)
	Parent company		Subsidiaries and joint controlled entities		Total	
	2017	2016	2017	2016	2017	2016
Statements of income						
Financial income	-	74,431	228,257	471,955	228,257	546,386
Financial expenses	254	(6,887)	(7,401)	(163,175)	(7,147)	(170,062)
Other operating income	-	-	(100,700)	271	(100,700)	271

(i) Includes natural person.

Total compensation paid to key management personnel totaling this year R\$16,912 (December 31, 2016 – R\$5,460) which is considered short term benefit.

26.Other information

a. Cash and cash equivalents

Balances at beginning of the year	2016	2015
Cash and cash equivalents	674,114	20,490,900
Open market investments	11,360,730	9,073,969
Interbank deposits	1,938,904	8,864,471
Total	13,973,748	38,429,340
Balances of end of the year	2017	2016
Cash and cash equivalents	4,347,209	674,114
Open market investments	17,683,903	11,360,730
Interbank deposits	1,169,893	1,938,904
Total	23,201,005	13,973,748

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b. Commitments and responsibilities

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

	2017	2016
Co-obligation and risks for guarantees granted	29,531,510	35,969,487
Responsibility for the management of futures and investment portfolio (i)	165,325,497	160,360,167
Securities	36,030,558	33,533,341
Securities under custody	1,116,058,327	1,117,738,333
Securities trading and brokerage	1,833,298,069	1,324,544,222
Loans contract to release	972,000	297,675
Commitments to be released	12,900	47,700

(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.

"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.