

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

Contents

Independent auditors' review report.....	1
Consolidated balance sheets.....	3
Consolidated statements of income	5
Statements of changes in shareholders' equity – parent company.....	6
Consolidated statements of cash flows.....	7
Consolidated statements of value added.....	8
Notes to the consolidated financial statements	9

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 nº13, 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							Asset valuation adjustment	Treasury shares	Retained earnings	Total
		Capital	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory	Total				
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,820	6,417,364	10,402,691	114,992	(93,063)	-	18,469,227
Own shares acquired	19b	-	-	-	-	-	-	-	-	(187,622)	-	(187,622)
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	-	403	403
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(42,079)	-	-	(42,079)
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	178,262	-	-	178,262
Currency translation adjustments		-	-	-	-	-	-	-	1,311,828	-	-	1,311,828
Foreign Investment hedge		-	-	-	-	-	-	-	(1,317,069)	-	-	(1,317,069)
Intermediate interest on equity (R\$0.11 per share)		-	-	300,000	-	-	(300,000)	-	-	-	-	-
Changes in accounting practices of associates		-	-	-	-	-	(503,057)	(503,057)	-	-	-	(503,057)
Net income for the period		-	-	-	-	-	-	-	-	-	1,808,332	1,808,332
Net income allocation		-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	-	11,238	-	-	11,238	-	-	(11,238)	-
Intermediate interest on equity (R\$0.22 per share)	19	-	-	-	-	-	-	-	-	-	(592,500)	(592,500)
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>	<u>9,910,872</u>	<u>245,934</u>	<u>(280,685)</u>	<u>1,204,997</u>	<u>19,125,725</u>
Balances as at December 31, 2018		7,392,092	652,515	-	1,245,452	2,672,775	6,852,992	10,771,219	103,187	(128,544)	-	18,790,469
Own shares acquired	19	-	-	-	-	-	-	-	-	(10,730)	-	(10,730)
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	27,658	-	-	27,658
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	(64,738)	-	-	(64,738)
Currency translation adjustments		-	-	-	-	-	-	-	345,885	-	-	345,885
Foreign Investment hedge		-	-	-	-	-	-	-	(356,688)	-	-	(356,688)
Intermediate interest on equity (R\$0.10 per share)		-	-	275,000	-	-	(275,000)	-	-	-	-	-
Changes in accounting practices of associates		-	-	-	-	-	9,624	9,624	-	-	-	9,624
Net income for the period		-	-	-	-	-	-	-	-	-	2,649,152	2,649,152
Net income allocation		-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	-	83,567	-	-	83,567	-	-	(83,567)	-
Intermediate interest on equity (R\$0.24 per share)	19	-	-	-	-	-	-	-	-	-	(624,000)	(624,000)
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>	<u>10,864,410</u>	<u>55,304</u>	<u>(139,274)</u>	<u>1,941,585</u>	<u>20,766,632</u>

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

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

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

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(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:

		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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

	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	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

b. Functional currency

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

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

i. Trading securities

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

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

ii. Available for sale securities

These are securities that are neither classified as trading securities 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

	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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

	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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

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).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

- 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)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

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).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities						
	Shareholders' Equity		Net income (loss)				Interest
			Quarter ended:		Nine-month period ended:		
	30/09/2019	31/12/2018	30/09/2019	30/09/2018	30/09/2019	30/09/2018	30/09/2019 31/12/2018
In Brazil							
Banco Pan S.A.	4,830,817	4,095,919	134,552	49,126	348,366	147,890	39.50% 50.59%
Pan Seguros S.A.	363,985	470,234	9,092	9,822	29,390	34,963	51.00% 51.00%
Pan Corretora S.A.	55,311	32,256	16,392	2,594	33,735	6,765	51.00% 51.00%
Abroad							
Engelhart CTP Group S.A.	1,762,216	2,029,348	9,559	(217,895)	137,217	(192,388)	0.00% 19.03%
EFG International (i) (ii)	6,714,331	6,636,882	-	-	220,847	185,016	29.39% 29.75%

(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 investee for the first half of 2019, as a result of the late disclosure of its financial information.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, otherwise indicated)

	Changes in investments						30/09/2019	Equity in earnings of associates from 30/09/2018
	31/12/2018	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Changes in investment accounting practices (iii)	Fair value adjustment (iv)	Exchange variation	Equity in earnings of subsidiaries	
In Brazil								
Banco Pan S.A.	1,954,238	(347,717)	(57,808)	-	360	-	267,611	75,101
Negative Goodwill - Banco Pan Warehouse 1 Empreendimentos Imobiliários S.A.	(225,530)	140,475	-	-	-	-	-	-
	8,491	(8,812)	-	-	-	-	321	(1,906)
Pan Corretora S.A.	16,450	-	(5,446)	-	-	-	17,205	4,097
Pan Seguros S.A.	239,816	(25,500)	(44,337)	-	662	-	14,989	17,831
Other	3,186	4,551	-	-	-	-	(4)	(1,158)
Total	<u>1,996,651</u>	<u>(237,003)</u>	<u>(107,591)</u>	<u>-</u>	<u>1,022</u>	<u>-</u>	<u>300,122</u>	<u>93,965</u>
Abroad								
BTG Pactual Holding S.A.R.L. (i) (ii) (iii)	3,453,429	-	(1,163,881)	(6,172)	(15,131)	291,826	552,723	-
Engelhart CTP Group S.A. (i) (ii)	386,178	(416,261)	-	(7,587)	-	23,791	13,879	(37,274)
EFG International (i)	1,953,128	1,062	(96,200)	-	(58,491)	112,249	61,765	(29,366)
Goodwill - EFG International (i)	1,073,201	-	-	-	-	57,446	(102,001)	(98,834)
	<u>6,865,936</u>	<u>(415,199)</u>	<u>(1,260,081)</u>	<u>(13,759)</u>	<u>(73,622)</u>	<u>485,312</u>	<u>526,366</u>	<u>(165,474)</u>
Total	<u>8,862,587</u>	<u>(652,202)</u>	<u>(1,367,672)</u>	<u>(13,759)</u>	<u>(72,600)</u>	<u>485,312</u>	<u>826,488</u>	<u>(71,509)</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

(ii) See note 2.

(iii) 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>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

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

ii. Civil provisions

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

iii. Tax and social security provisions

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

c. Breakdown and changes in provisions

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recorded for such proceedings at 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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

- 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2019

(In thousands of reais, except otherwise indicated)

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.