

Financial Statements

Banco BTG Pactual S.A.

September 30, 2019

with review report on the interim financial statements.

BANCO BTG PACTUAL S.A.

Financial Statements

September 30, 2019

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A free translation from Portuguese into English of the review report on interim financial information 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 FINANCIAL INFORMATION

To the Shareholders and Management of
Banco BTG Pactual S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the interim financial information of Banco BTG Pactual S.A. (the “Bank”), comprised in the Quarterly Information Form - ITR for the three-month period ended September 30, 2019 which comprise the balance sheet as of September 30, 2019 the related consolidated statements of income for the tree and nine-month periods then ended, and the statements of changes in shareholders’ equity and cash flows for the nine-month period then ended, and explanatory notes.

Management is responsible for the preparation of these interim financial information in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, as well as a fair presentation of this information with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information 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 financial information included in the quarterly information 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 and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission – CVM, applicable to the preparation of Quarterly Information Form – ITR.

Emphasis of matter

Foreign subsidiary equity pickup

As mentioned on the interim financial information footnote n°13, the Bank holds indirect investments on EFG International (“EFG”) but has no timely access on the financial information of this subsidiary before its financial information 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.

Other matters

Statements of value added

The quarterly information referred to above included the statements of value added (SVA), for the nine-month period ended at 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 statements were subjected to review procedures executed as a whole with quarterly financial information 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.

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		136,862,892	106,697,359
Cash at banks	6	403,048	354,764
Interbank investments	7	34,837,972	43,861,179
Open market investments		33,633,963	41,489,306
Interbank deposits		1,204,009	2,371,873
Securities and derivative financial instruments		43,979,363	29,669,075
Own portfolio	8	33,253,504	22,319,514
Subject to repurchase agreements	8	3,827,775	1,863,087
Subject to unrestricted repurchase agreements	8	372,208	30,823
Derivative financial instruments	9	5,400,240	4,815,186
Subject to guarantees	8	1,125,636	640,465
Interbank transactions		1,079,152	1,446,125
Deposits in the Central Bank of Brazil		1,079,152	1,446,125
Loans	10	6,968,998	5,720,077
Loans		7,067,064	5,856,673
Transferred loans with coobligation		290	300
Allowance for loan losses		(98,356)	(136,896)
Other receivables		49,469,088	25,562,814
Credits by honored endorsements and sureties		252,678	400,557
Foreign exchange portfolio	11	45,614,308	21,566,813
Income receivable	12	823,148	808,245
Securities trading and brokerage	11	2,258,790	2,914,360
Sundry	12	735,672	193,190
Allowance for losses on other receivables		(215,508)	(320,351)
Other assets		125,271	83,325
Other assets		93,381	104,254
Prepaid expenses		93,581	40,633
Provision for losses on other assets		(61,691)	(61,562)
Long-term-assets		27,973,413	38,926,024
Interbank investments	7	421,665	4,243,257
Open market investments		421,665	4,243,257
Securities and derivative financial instruments		8,534,501	17,771,028
Own portfolio	8	688,273	577,381
Subject to repurchase agreements	8	43,459	641,888
Derivative financial instruments	9	7,482,111	16,099,297
Subject to guarantees	8	320,658	452,462
Interbank transactions		137,590	166,073
Restricted credits – National Housing System		137,590	166,073
Loans	10	12,651,146	10,060,723
Loans		13,548,375	10,494,192
Transferred loans with coobligation		2,571	5,218
Allowance for loan losses		(899,800)	(438,687)
Other receivables		6,221,450	6,663,546
Income receivable	12	15,333	-
Sundry	12	6,206,117	6,663,546
Other assets		7,061	21,397
Prepaid expenses		7,061	21,397
Permanent assets		14,942,948	15,121,078
Investments		14,825,274	15,002,531
Investments in subsidiaries, associates and jointly controlled entities - in Brazil	13	12,555,070	12,667,679
Investments in subsidiaries, associates and jointly controlled entities - abroad	13	2,268,839	2,333,487
Other investments		4,232	4,232
Allowance for losses in investments		(2,867)	(2,867)
Property and equipment in use		45,784	36,208
Other property and equipment in use		175,727	157,992
Accumulated depreciation		(129,943)	(121,784)
Intangible assets	14	71,890	82,339
Other intangible assets		249,182	244,646
Accumulated amortization		(177,292)	(162,307)
Total assets		179,779,253	160,744,461

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

BANCO BTG PACTUAL S.A.

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		121,266,608	99,168,773
Deposits	15	24,589,790	23,316,177
Demand deposits		371,435	273,448
Interbank deposits - with associates, jointly controlled ans subsidiaries		595,084	565,435
Interbank deposits		312,104	294,814
Time deposits		23,311,167	22,182,480
Open market funding	15	33,323,887	35,738,336
Own portfolio		3,925,780	2,438,985
Third-party portfolio		23,465,017	26,499,850
Unrestricted portfolio		5,933,090	6,799,501
Funds from securities issued and accepted	15	4,908,507	3,063,372
Real estate, mortgage, credit and similar notes		3,153,022	2,818,972
Securities issued abroad		1,620,153	171,153
Certificate of structured transactions		135,332	73,247
Interbank transactions		4,649	6,804
Unsettled receipts and payments		4,649	6,804
Interdependencies transactions		215,524	74,926
Unsettled third party assets		215,524	74,926
Loans and borrowings	15	1,050,023	1,905,853
Loans abroad		1,049,453	1,823,487
Borrowings in Brazil – official institutions		570	82,366
Derivative financial instruments	9	8,707,973	9,461,825
Derivative financial instruments		8,707,973	9,461,825
Other liabilities		48,466,255	25,601,480
Collection and payments of tax and similar charges		8,035	5,333
Foreign exchange portfolio	11	44,801,328	20,612,448
Social and statutory	16	326,067	853,018
Tax and social security	16	117,422	174,382
Securities trading and brokerage	11	1,463,933	1,933,100
Subordinated debt	15	1,404,525	1,667,855
Sundry	16	344,945	355,344
Long-term liabilities		37,606,126	42,678,440
Deposits	15	1,158,572	1,112,125
Interbank deposits		105,681	83,596
Time deposits		1,052,891	1,028,529
Open market funding	15	628,711	1,480,360
Third-party portfolio			147,110
Unrestricted portfolio		628,711	1,333,250
Funds from securities issued and accepted	15	15,316,062	10,507,266
Real estate, mortgage, credit and similar notes		9,729,290	6,606,339
Securities issued abroad		5,505,758	3,796,305
Certificate of structured transactions		81,014	104,622
Loans and onlending	15	2,898,017	3,028,563
Loans abroad		164,369	358,948
Onlending in Brazil – official institutions		2,733,648	2,669,615
Derivative financial instruments	9	9,841,632	17,287,907
Derivative financial instruments		9,841,632	17,287,907
Other liabilities		7,763,132	9,262,219
Tax and social security	16	3,863	-
Subordinated debt	15	4,033,699	3,643,623
Debt instrument eligible to equity	15	2,487,766	3,579,529
Sundry	16	1,237,804	2,039,067
Deferred income		139,889	106,781
Shareholders' equity	19	20,766,630	18,790,467
Capital stock		7,392,092	7,392,092
Capital Reserve		652,515	652,515
Asset valuation adjustment		1,807,816	1,499,011
Income reserves		9,468,584	9,375,393
Treasury shares		(139,274)	(128,544)
Retained earnings		1,584,897	-
Total liabilities and shareholders' equity		179,779,253	160,744,461

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

BANCO BTG PACTUAL S.A.

Statements of income

Nine-month period and quarters ended September 30

(In thousands of reais, except for earnings per share)

	Note	Quarter ended:		Nine-month period ended:	
		30/09/2019	30/09/2018	30/09/2019	30/09/2018
Financial income		3,538,718	2,320,256	8,658,123	5,357,378
Loans		334,561	253,195	890,398	721,067
Securities		3,128,656	2,002,022	7,366,363	4,268,158
Derivative financial instruments		49,463	-	335,408	-
Foreign exchange		-	33,533	-	298,749
Mandatory investments		26,038	31,506	65,954	69,404
Financial expenses		(3,432,436)	(2,638,477)	(6,966,105)	(7,459,972)
Funding operations		(1,452,059)	(1,341,766)	(4,625,167)	(3,512,153)
Derivative financial instruments		-	(989,393)	-	(2,073,354)
Foreign exchange		(677,748)	-	(639,456)	-
Borrowings		(1,153,216)	(343,655)	(1,447,839)	(1,840,233)
Allowance for loan losses and other receivables	10	(149,413)	36,337	(253,643)	(34,232)
Net financial income		106,282	(318,221)	1,692,018	(2,102,594)
Other operating income (expenses)		465,687	97,242	1,097,064	1,203,677
Income from services rendered	20	430,442	197,481	1,009,527	634,618
Personnel expenses		(73,112)	(77,079)	(218,656)	(223,889)
Other administrative expenses	23	(239,194)	(168,501)	(520,155)	(506,254)
Tax charges	24	(66,046)	(63,889)	(209,822)	(33,328)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	453,349	205,801	1,129,755	1,345,697
Other operating income	21	19,684	68,375	62,045	189,263
Other operating expenses	22	(59,436)	(64,946)	(155,630)	(202,430)
Operating income		571,969	(220,979)	2,789,082	(898,917)
Non-operating income		(35)	30	39,937	118,453
Income / (loss) before taxation and profit sharing		571,934	(220,949)	2,829,019	(780,464)
Income tax and social contribution	18	188,731	520,397	(82,258)	1,430,009
Deferred income tax and social contribution		188,731	520,397	(82,258)	1,430,009
Statutory profit sharing		(139,528)	(32,609)	(454,297)	(158,282)
Net income for the quarter / period		621,137	266,839	2,292,464	491,263
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\$		0.24	0.10	0.87	0.18

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

BANCO BTG PACTUAL S.A.

Statements of changes in shareholders' equity

Nine-month period ended September 30

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

				Income reserves								
	Note	Capital	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory	Total	Asset valuation adjustment	Treasury shares	Retained earnings	Total
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,826	6,103,773	10,089,106	428,577	(93,063)	-	18,469,227
Own shares acquired	19	-	-	-	-	-	-	-	-	(187,622)	-	(187,622)
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	-	403	403
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	178,262	-	-	178,262
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(42,079)	-	-	(42,079)
Exchange variation of investments		-	-	-	-	-	-	-	1,311,828	-	-	1,311,828
Intermediate interest on equity (R\$0.22 per share)		-	-	300,000	-	-	(300,000)	-	-	-	-	-
Changes in accounting practices of associates	2	-	-	-	-	-	(503,057)	(503,057)	-	-	-	(503,057)
Net income for the period		-	-	-	-	-	-	-	-	-	491,263	491,263
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>2,803,826</u>	<u>5,300,716</u>	<u>9,597,287</u>	<u>1,876,588</u>	<u>(280,685)</u>	<u>(112,072)</u>	<u>19,125,725</u>
Balances as at December 31, 2018		7,392,092	652,515	-	1,245,452	2,672,781	5,457,160	9,375,393	1,499,011	(128,544)	-	18,790,467
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)
Exchange variation of investments		-	-	-	-	-	-	-	345,885	-	-	345,885
Intermediate interest on equity (R\$0.23 per share)		-	-	275,000	-	-	(275,000)	-	-	-	-	-
Adjustments by previous years		-	-	-	-	-	9,624	9,624	-	-	-	9,624
Net income for the period		-	-	-	-	-	-	-	-	-	2,292,464	2,292,464
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>2,672,781</u>	<u>5,191,784</u>	<u>9,468,584</u>	<u>1,807,816</u>	<u>(139,274)</u>	<u>1,584,897</u>	<u>20,766,630</u>

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

BANCO BTG PACTUAL S.A.

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		2,292,464	491,263
Adjustments to net income		62,994	(1,691,401)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	(1,170,527)	(1,378,331)
Interest expense with subordinated debt and debt instrument eligible to equity		1,088,432	1,062,194
Permanent assets exchange variation		(415)	(641)
Goodwill amortization	13	40,772	32,634
Deferred income tax and social contribution	18	82,258	(1,430,009)
Depreciation and amortization	23	22,474	22,752
Adjusted net income / (loss) for the period		2,355,458	(1,200,138)
Operational activities			
Short-term interbank investments		9,310,897	(7,258,068)
Securities and derivative financial instruments		(13,204,432)	(6,608,466)
Loans		(3,839,343)	(2,418,729)
Other receivables and other assets		(23,564,005)	6,816,944
Interbank transactions		393,301	(934,870)
Interdependencies transactions		140,598	57,777
Other liabilities		22,935,206	1,532,311
Deferred income		33,108	24,400
Deposits		1,320,060	10,949,946
Open market funding		(3,266,098)	14,339,572
Loans and borrowings		(986,376)	708,727
Cash (used in) / provided by operating activities		(8,371,626)	16,009,406
Investing activities			
Acquisition / (sale) of investments and capital increase	13	548,285	621,304
Sale of property and equipment in use		(17,825)	(7,248)
Acquisition / sale of intangible assets	14	(28,471)	(4,304)
Dividends and interest on equity received	13	1,022,768	272,639
Cash provided by investing activities		1,524,757	882,391
Financing activities			
Acquisition of treasury shares	19	(10,730)	(187,622)
Funds from securities issued and accepted		6,653,931	3,586,216
Subordinated debt and debt instrument eligible to equity		(2,053,450)	(867,050)
Interest on equity	19	(1,228,500)	(1,201,071)
Cash provided by financing activities		3,361,251	1,330,473
(Decrease) / increase in cash and cash equivalents	26	(3,485,618)	18,222,270
Balance of cash and cash equivalents			
At the beginning of the period		26,006,088	22,446,290
At the end of the period		22,520,470	40,668,560
(Decrease) / increase in cash and cash equivalents		(3,485,618)	18,222,270
Noncash transactions		27,658	(180,580)
Interest on equity	19	-	(300,000)
Acquisition / sale of investments	13	-	161,499
Changes in fair value of assets available for sale		27,658	(42,079)

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

BANCO BTG PACTUAL S.A.

Statements of value added

Nine-month period ended September 30

(In thousands of reais)

	Note	30/09/2019	30/09/2018
Income		9,667,650	6,097,282
Financial income		8,658,123	5,357,378
Services rendered	20	1,009,527	634,618
Other		-	105,286
Expenses		(7,019,754)	(7,459,972)
Financial brokerage		(6,712,462)	(7,425,740)
Allowance for loan losses and other receivables	10	(253,643)	(34,232)
Other		(53,649)	-
Inputs acquired from third parties		(466,946)	(452,440)
Materials, energy and other		6,710	(5,626)
Outsourced services		(473,656)	(446,814)
Gross value added		2,180,950	(1,815,130)
Depreciation and amortization	23	(22,474)	(22,752)
Net value added produced by the entity		2,158,476	(1,837,882)
Value added received through transfer		1,129,755	1,345,697
Equity pick up in subsidiaries, associates and jointly controlled entities	13	1,129,755	1,345,697
Value added to be distributed		3,288,231	(492,185)
Distribution of value added		3,288,231	(492,185)
Personnel		672,953	382,171
Direct compensation		597,766	312,324
Benefits		65,396	60,498
FGTS – government severance pay fund		9,791	9,349
Taxes, fees and contributions		292,080	(1,396,681)
Federal		244,988	(1,498,258)
Municipal		47,092	101,577
Remuneration of third party capital		30,734	31,062
Rent		30,734	31,062
Remuneration of shareholders		2,292,464	491,263
Retained earnings		1,668,464	(100,832)
Interest on equity		624,000	592,095

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

BANCO BTG PACTUAL S.A.

Notes to the 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 restructuring and acquisitions

Corporate reorganizations

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.

Notes to the 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 indirect 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. CaixaPar assigned to Banco its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on February 7, 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 equity agreement, in order to transfer the equity stake held by the Bank of Neopart Participações S.A. ("Neopart"), in the approximate amount of R\$73,2 million. Neopart 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 Banco Pan S.A. acquisition.

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On September 3, 2019, the BTG Pactual Chile SpA. signed an equity purchase and sale agreement with DT Rigel S.A. and Vitacura Dos S.A. in order to sell your equity stake on BTG Pactual Chile S.A. Compañia 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 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 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 register accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with uncertain tax position, the provision for contingent liabilities and fair value measurement on financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent uncertainties to its determination. The Bank periodically reviews these estimates and assumptions.

The financial statements were approved by Bank's Management on November 4, 2019, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

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Functional currency

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

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 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 amortized basis, based on the effective rate of the transactions.

c. Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068, under the following categories:

i. Trading securities

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

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

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 a corresponding entry to a separate account under shareholders' equity, net of tax effects, which will only be recorded in statements of income 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, with interest recorded on profit or loss. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, are 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 will be conducted to hedge against risk or not.

The transactions using financial instruments performed on their own, or that does not comply with hedge criteria (mainly derivatives used to manage the global risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recognized directly statements of income for the period.

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

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- 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 the 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. Therefore, at the time of financial settlement of these transactions, results may differ from the estimates. 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 agreed value, deducted from the difference between this amount and the price of the good or right adjusted at market prices, at the adequate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and currency forward transactions of non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, adjusted at fair value, with a corresponding entry to statements of income.

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

f. Financial instruments – net presentation

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

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

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

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h. Loans and other receivables (transactions with loan characteristics)

Recorded at present value, then amortized based 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 potential 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 periodic analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, Loans in default are written off against the allowance after the 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. Investments

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

k. Foreign currency translation

See note 3.

l. Goodwill or 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.

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m. 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.

n. 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.

o. Impairment

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, a 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.

p. 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.

q. Contingent assets and liabilities, 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.

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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 an 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.

r. Earnings per share

Calculated based on the weighted average numbers of shares outstanding for the period.

s. Revenue recognition

Revenues and expenses are recorded on the accrual basis.

5. Risk management

The Bank's committee/area structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. The main committees/meetings involved in risk management activities are: (i) Management meeting, which approves policies, defines overall limits and is ultimately responsible for managing risks; (ii) Risk Management Committee which discusses policies, limits and risk monitoring; (iii) Capital and Risk Committee, composed by independent members to supervise risk management results and strategies; (iv) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products; (v) Credit Risk area, which is responsible for approving new loans according to the guidelines set forth by our CRO; (vi) Market Risk area, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (vii) Operational Risk Area, which assesses the main operational risks for the internal policies and regulatory risks established; (viii) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering; (ix) CFO and CRO, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure; (x) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

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

a. Operating limits

	30/09/2019	31/12/2018
Reference Shareholders' Equity	20,766,630	18,790,467
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 or insufficient	87,158	258,648

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 operating 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

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

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The VaR presented below was calculated for a one-day period, at a confidence level of 95.0% and one-year historical data. Reliable level of 95.0% means that there is one within twenty changes that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trading in a single day exceeding the reported VaR would be expected to occur, on average, around once a month. Losses in a single day may exceed the VaR reported in material amounts. Losses 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

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to strict 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 bonds, derivatives, guarantees given, possible settlement risks among others.

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. Operating 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.

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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 strong 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 refer basically to deposits abroad in prime banks.

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	34,055,628	28,611,389	5,022,574	349,908	71,757	45,732,563
Own portfolio	5,195,785	4,730,928	461,808	-	3,049	11,748,326
Federal government bonds	5,129,930	4,665,073	461,808	-	3,049	11,678,243
Corporate bonds	13,747	13,747	-	-	-	19,865
Foreign government bonds	52,108	52,108	-	-	-	50,218
Third-party portfolio	24,573,355	22,320,386	2,161,670	83,313	7,986	26,554,672
Federal government bonds	24,557,396	22,304,427	2,161,670	83,313	7,986	26,265,317
Corporate bonds	15,959	15,959	-	-	-	289,355
Short position	4,286,488	1,560,075	2,399,096	266,595	60,722	7,429,565
Federal government bonds	4,286,488	1,560,075	2,399,096	266,595	60,722	7,429,565
Interbank investments	1,204,009	1,158,209	45,800	-	-	2,371,873
Interbank deposit certificates	290,816	245,016	45,800	-	-	294,763
Investments in foreign currency - overnight	913,193	913,193	-	-	-	2,077,110
Total	35,259,637	29,769,598	5,068,374	349,908	71,757	48,104,436

As at September 30, 2019 the collateral received in repurchase agreements amounts to R\$35,203,004 (December 31, 2018- R\$47,323,535), whereas the collateral granted amounts to R\$34,193,578 (December 31, 2018 – R\$37,645,698).

8. Securities

a. Summary by type of portfolio

The breakdown by type of instrument and contractual maturity of the 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	32,490,212	33,941,777	27,278,102	936,506	802,220	940,279	3,984,670	22,896,895
Federal government bonds	8,706,630	8,706,796	8,239,083	184,377	203,981	26,149	53,206	1,779,215
Debentures (i)	1,875,103	1,858,979	45,616	349,425	526,458	595,966	341,514	406,696
Certificate of real estate receivables	25,962	25,984	-	3,911	9,552	3,489	9,032	10,848
Investment fund quotes								
Multimarket	16,189,542	16,240,470	15,820,267	-	-	-	420,203	14,987,406
Shares	292,726	297,579	279,440	-	-	-	18,139	25,678

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	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
FIDC - Credit rights	1,495,318	1,877,449	-	-	-	2,224	1,875,225	1,199,894
Equity investment fund	748,296	838,439	-	-	-	-	838,439	728,989
Real estate	169,763	150,859	1,047	-	-	-	149,812	132,645
Shares	2,119,681	3,135,874	2,828,286	-	-	286,192	21,396	2,639,785
Others	393,060	390,818	64,363	300,742	6,953	16,692	2,068	409,089
Foreign private securities	374,629	366,752	-	98,051	4,221	8,844	255,636	405,975
Foreign government bonds	99,502	51,778	-	-	51,055	723	-	170,675
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	3,986,101	3,871,234	266,899	135,028	1,263,077	280,711	1,925,519	2,504,975
Federal government bonds	2,737,940	2,753,906	-	49,993	677,014	198,802	1,828,097	1,414,821
Debentures (i)	1,006,415	875,582	25,153	85,035	586,063	81,909	97,422	673,173
Foreign private securities	-	-	-	-	-	-	-	215,104
Foreign government bonds	-	-	-	-	-	-	-	201,877
Others	241,746	241,746	241,746	-	-	-	-	-
Subject to guarantees	1,427,141	1,446,294	65,489	592,723	371,054	96,370	320,658	1,092,927
Federal government bonds	1,058,381	1,060,147	-	592,723	371,054	96,370	-	564,189
Investment fund quotes								
Multimarket	30,322	33,772	33,772	-	-	-	-	32,264
Debentures	-	-	-	-	-	-	-	168,575
Certificate of real estate receivables	312,651	320,658	-	-	-	-	320,658	291,574
Shares	25,787	31,717	31,717	-	-	-	-	36,325
Trading securities	37,207,828	38,545,059	27,576,426	1,664,257	2,617,161	1,052,444	5,634,771	23,831,056
Available for sale securities	1,061,679	1,086,454	34,064	-	45,211	287,000	720,179	2,694,564
Total	38,269,507	39,631,513	27,610,490	1,664,257	2,662,372	1,339,444	6,354,950	26,525,620

(i) Substantially securities issued by Brazilian companies.

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	31,814,575	33,253,212	27,277,810	936,506	799,660	654,087	3,585,149	21,367,917
Federal government bonds	8,706,630	8,706,796	8,239,083	184,377	203,981	26,149	53,206	1,779,215
Debentures	1,874,470	1,858,341	45,616	349,425	525,820	595,966	341,514	59,060
Certificate of real estate receivables	24,040	24,062	-	3,911	7,630	3,489	9,032	233
Investment fund quotes								
Multimarket	16,189,542	16,240,470	15,820,267	-	-	-	420,203	14,987,406
Shares	292,726	297,579	279,440	-	-	-	18,139	25,678
FIDC - Credit rights	1,495,318	1,877,449	-	-	-	2,224	1,875,225	1,199,894
Equity investment fund	580,158	656,950	-	-	-	-	656,950	542,752
Real estate	169,763	150,859	1,047	-	-	-	149,812	132,645
Shares	1,833,489	2,849,682	2,828,286	-	-	-	21,396	2,292,474
Others	392,340	390,526	64,071	300,742	6,953	16,692	2,068	-
Foreign private securities	156,597	148,720	-	98,051	4,221	8,844	37,604	177,885
Foreign government bonds	99,502	51,778	-	-	51,055	723	-	170,675
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	3,943,032	3,827,775	266,899	135,028	1,220,426	279,903	1,925,519	1,831,802
Federal government bonds	2,737,940	2,753,906	-	49,993	677,014	198,802	1,828,097	1,414,821
Debentures (i)	963,346	832,123	25,153	85,035	543,412	81,101	97,422	-
Foreign private securities	-	-	-	-	-	-	-	215,104
Foreign government bonds	-	-	-	-	-	-	-	201,877
Others	241,746	241,746	241,746	-	-	-	-	-
Subject to guarantees	1,084,168	1,091,864	31,717	592,723	371,054	96,370	-	600,514
Federal government bonds	1,058,381	1,060,147	-	592,723	371,054	96,370	-	564,189
Shares	25,787	31,717	31,717	-	-	-	-	36,325
Total	37,207,828	38,545,059	27,576,426	1,664,257	2,617,161	1,052,444	5,634,771	23,831,056

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c. Available-for-sale 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
Own portfolio	675,637	688,565	292	-	2,560	286,192	399,521
Debentures	633	638	-	-	638	-	-
Certificate of real estate receivables	1,922	1,922	-	-	1,922	-	-
Foreign private securities	218,032	218,032	-	-	-	-	218,032
Other	720	292	292	-	-	-	-
Investment fund quotes							
Equity investment fund	168,138	181,489	-	-	-	-	181,489
Shares	286,192	286,192	-	-	-	286,192	-
Subject to repurchase agreements	43,069	43,459	-	-	42,651	808	-
Debentures	43,069	43,459	-	-	42,651	808	-
Subject to guarantees	342,973	354,430	33,772	-	-	-	320,658
Investment fund quotes							
Multimarket	30,322	33,772	33,772	-	-	-	-
Certificate of real estate receivables	312,651	320,658	-	-	-	-	320,658
Debentures	-	-	-	-	-	-	-
Total	1,061,679	1,086,454	34,064	-	45,211	287,000	720,179

d. 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 year ended December 31, 2018.

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.

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 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.

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	30/09/2019				31/12/2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	211,382,507	72,163,815	26,248,812	309,795,134	33,562,285
Currency	2,860,609	8,408	50,041	2,919,058	1,540,834
Interest rate	208,521,898	71,780,103	25,381,970	305,683,971	31,570,534
Index	-	375,304	816,801	1,192,105	450,917
Short position	10,323,067	775,673	3,509,524	14,608,264	25,985,942
Currency	2,491	-	-	2,491	820,931
Interest rate	10,320,576	775,673	2,726,945	13,823,194	24,170,266
Index	-	-	782,579	782,579	994,745
Swap					
Long position	84,186,585	40,946,241	180,596,461	305,729,287	135,606,418
Currency	23,953	23,322,790	70,452,670	93,799,413	65,794,844
Interest rate	82,370,147	17,025,694	109,543,090	208,938,931	66,466,086
Commodities	25,188	10,629	-	35,817	12,312
Index	-	60,361	265,467	325,828	422,816
Equities	1,023,767	427,721	335,234	1,786,722	1,715,426
Other	743,530	99,046	-	842,576	1,194,934
Short position	84,186,585	40,946,241	180,596,460	305,729,286	135,606,418
Currency	50,766	492,633	87,790,407	88,333,806	4,841,711
Interest rate	81,076,626	39,906,889	91,331,057	212,314,572	126,870,940
Index	1,374,218	234,894	533,200	2,142,312	877,138
Commodities	217,904	2,511	-	220,415	12,312
Equities	748,897	305,437	625,066	1,679,400	51,405
Other	718,174	3,877	316,730	1,038,781	2,952,912
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	80,920,401	5,715,721	9,143,204	95,779,326	100,084,430
Currency	78,885,142	4,910,911	6,265,083	90,061,136	93,888,480
Index	2,035,259	804,810	2,878,121	5,718,190	6,195,950
Short position	80,920,401	5,715,721	9,143,204	95,779,326	100,084,430
Currency	78,885,142	4,910,911	6,265,083	90,061,136	85,791,259
Interest rate	-	-	-	-	8,084,697
Index	2,035,259	804,810	2,878,121	5,718,190	6,195,950
Other	-	-	-	-	12,524
Security forwards					
Long position	750,510	-	-	750,510	-
Interest rate	347,886	-	-	347,886	-
Government bonds	402,624	-	-	402,624	-
Short position	750,510	-	-	750,510	-
Interest rate	402,624	-	-	402,624	-
Government bonds	347,886	-	-	347,886	-
Options					
Long position					
Call option	12,739,164	375,274	59,372,441	72,486,879	111,616,590
Equities	385,003	2,300	53,395	440,698	720,662
Commodities	1,480,444	-	-	1,480,444	-
Index	2,204,309	238,730	-	2,443,039	116,545
Currency	8,669,408	134,244	59,319,046	68,122,698	110,700,337
Other	-	-	-	-	79,046
Put option	86,463,605	30,610,523	46,345,556	163,419,684	185,566,026
Equities	5,375,230	85	-	5,375,315	3,989,037
Commodities	14,371,509	-	-	14,371,509	-
Index	56,144,745	-	-	56,144,745	-
Currency	10,572,121	30,610,438	46,345,556	87,528,115	135,978,464
Interest rate	-	-	-	-	45,598,525
Short position					
Call option	12,052,659	30,887,993	46,296,174	89,236,826	118,567,968
Equities	390,249	85	-	390,334	191,985
Commodities	2,688,264	21,760	-	2,710,024	-
Index	2,204,309	240,817	-	2,445,126	248,019
Currency	6,769,837	30,625,331	46,296,174	83,691,342	118,127,964
Put option	83,768,489	29,956	58,938,127	142,736,572	168,868,967
Equities	468,392	1,380	-	469,772	235,127
Commodities	17,485,341	-	-	17,485,341	-
Index	56,066,500	-	-	56,066,500	288,188
Currency	9,748,256	28,576	58,938,127	68,714,959	121,201,081
Interest rate	-	-	-	-	47,144,571

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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
Swaps						
Long position	1,125,081	2,245,118	191,413	105,025	1,948,680	827,777
Short position	1,743,657	2,855,953	94,304	650,917	2,110,732	1,835,050
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	3,473,726	3,497,440	2,801,315	243,073	453,052	3,557,069
Short position	3,221,912	3,218,976	2,609,997	259,305	349,674	2,891,102
Forward transaction						
Long position	749,892	752,450	752,450	-	-	-
Short position	745,635	751,242	751,242	-	-	-
Options market						
Long position	13,035,078	6,380,186	1,009,268	295,674	5,075,244	16,516,583
Short position	12,585,133	11,708,028	680,939	3,657,419	7,369,670	22,011,269
Long position	18,390,064	12,882,351	4,754,446	645,794	7,482,111	20,914,483
Short position	18,309,424	18,549,605	4,140,332	4,567,641	9,841,632	26,749,732

c. Notional value by counterparty

	30/09/2019					31/12/2018
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	309,346,546	448,588	-	-	309,795,134	33,562,285
Short position	14,491,931	116,333	-	-	14,608,264	25,985,942
Swap						
Long position	807,226	302,717,039	2,163,610	41,412	305,729,287	135,606,418
Short position	807,226	302,717,038	2,163,610	41,412	305,729,286	135,606,418
Credit derivatives						
Long position	-	199,142	-	-	199,142	84,471
Short position	-	247,261	-	-	247,261	250,176
Non-deliverable forward - NDF						
Long position	-	89,591,850	6,180,211	7,265	95,779,326	100,084,430
Short position	-	89,591,850	6,180,211	7,265	95,779,326	100,084,430
Forward transactions						
Long position	-	750,510	-	-	750,510	-
Short position	-	750,510	-	-	750,510	-
Options market						
Long position	56,080,000	179,502,265	41,731	282,567	235,906,563	297,182,616
Short position	56,066,500	175,679,003	68,371	159,524	231,973,398	287,436,935
Long position	366,233,772	573,209,394	8,385,552	331,244	948,159,962	566,520,220
Short position	71,365,657	569,101,995	8,412,192	208,201	649,088,045	549,363,901

(i) Includes investments funds.

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)

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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 margin

Guarantee margin in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government bonds and others, totaling R\$655,649 (December 31, 2018 – R\$460,149), and equities in the amount of R\$31,717 (December 31, 2018 – R\$36,325).

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

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

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10.Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, as 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 loan 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	13,384,909	(916,850)	11,383,822	(502,552)
Financing	4,342,723	(66,875)	2,076,481	(58,638)
FINAME/BNDES	2,887,807	(14,431)	2,890,562	(14,393)
Transferred loans with co-obligations (i)	2,861	-	5,518	-
Total	20,618,300	(998,156)	16,356,383	(575,583)

(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	7,836	4,337,939	159,072	4,758,185	9,263,032	-	8,470,442	-
A	2	702,113	201,107	4,404,874	5,308,096	(26,490)	3,643,392	(18,217)
B	-	988,445	183,542	2,041,262	3,213,249	(32,055)	1,047,769	(10,478)
C	11	224,672	123,987	498,253	846,923	(28,475)	1,434,970	(72,978)
D	-	20,107	641	577,484	598,232	(135,371)	1,309,012	(278,381)
E	-	21	-	387,848	387,869	(135,838)	253,498	(76,049)
F	-	59	117,228	724,245	841,532	(495,136)	134,566	(74,368)
G	-	-	-	64,631	64,631	(50,055)	58,739	(41,117)
H	66	264	243	94,163	94,736	(94,736)	3,995	(3,995)
Total	7,915	6,273,620	785,820	13,550,945	20,618,300	(998,156)	16,356,383	(575,583)

iii. By activity sector

Sector	30/09/2019	31/12/2018
Commerce	32,400	86,200
Industry	2,788,326	2,788,446
Services	16,133,047	12,505,421
Rural	1,500,346	825,120
Individuals	164,181	151,196
Total	20,618,300	16,356,383

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b. Other receivables with loans characteristics

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

d. Credit risk concentration

	30/09/2019	%	31/12/2018	%
Largest debtors				
10 largest debtors	9,236,314	43%	9,235,627	53%
20 following largest debtors	4,035,798	18%	1,842,268	11%
50 following largest debtors	3,543,068	16%	2,150,869	12%
100 following largest debtors	2,973,170	14%	1,864,130	11%
200 following largest debtors	1,564,466	7%	1,492,761	9%
500 following largest debtors	469,845	2%	750,962	4%
Total	21,822,661	100%	17,336,617	100%

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e. Allowance

Changes in the allowance for loan losses and other receivables in the quarter and period ended:

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Opening balances	(1,061,436)	(1,054,094)	(895,934)	(804,637)
Reversal/(recording) of allowance	(149,413)	36,337	(253,643)	(34,232)
Renegotiation of credits written off to loss	-	(11,974)	-	(93,589)
Provision transferred to credit portfolio	(18,027)	-	(94,093)	-
Exchange rate variation	14,742	4,214	6,281	(1,907)
Guarantees	-	-	-	(80,124)
Allowance for guarantee	-	(16,208)	-	(33,894)
Recovery credits written off as loss	470	213,028	23,725	219,686
Closing balances	(1,213,664)	(828,697)	(1,213,664)	(828,697)
Breakdown of closing balances				
Allowance for loan losses	(998,156)	(544,849)	(998,156)	(544,849)
Allowance for other receivables	(143,875)	(155,594)	(143,875)	(155,594)
Allowance for other receivables without loan characteristics (Note 10 (b))	(13,834)	(147)	(13,834)	(147)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(9,303)	(15,759)	(9,303)	(15,759)
Provision for standby letters of credit	(48,496)	(112,348)	(48,496)	(112,348)
	(1,213,664)	(828,697)	(1,213,664)	(828,697)

f. Renegotiation/recovery of credits written off to loss

As at September 30, 2019, the amount of R\$771,267 were due to credit renegotiation (December 31, 2018 – R\$1,661,680). Also in the period ended September 30, 2019 there were in R\$25,976 written off loans recovered (December 31, 2018 – R\$60,202).

11. Other receivables/obligations

a. Foreign exchange portfolio

	30/09/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	16,074,456	29,745,577	6,294,744	15,218,036
Rights on foreign exchange sales	29,521,398	-	15,251,643	-
(-) Advances on foreign Exchange contracts (Note 10 (c))	21,176	(1,107,368)	20,697	(918,046)
(-) Advances in foreign currency received	(2,498)	-	(271)	-
(-) Advances in local currency received	(224)	-	-	-
Liability for foreign exchange purchase	-	16,163,119	-	6,312,458
Total	45,614,308	44,801,328	21,566,813	20,612,448
Current	45,614,308	44,801,328	21,566,813	20,612,448
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).

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b. Securities trading and brokerage

	30/09/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	248,963	362,004	568,952	167,190
Commissions and brokerage payable	-	22,382	-	-
Pending settlement	1,799,817	234,391	1,676,336	557,136
Unsettled third-party interbank investments	-	23,618	-	24,788
Creditors for stock loans	-	574	-	-
Securities trading and brokerage	210,010	820,964	669,072	1,183,986
Total	2,258,790	1,463,933	2,914,360	1,933,100
Current	2,258,790	1,463,933	2,914,360	1,933,100
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.

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

12. Other receivables

a. Income receivable

	30/09/2019	31/12/2018
Dividends and profit sharing	572,495	661,737
Receivables from services rendered	53,294	5,450
Rights on energy sales	126,283	104,764
Management and performance fees from investment funds and portfolios	19,878	6,794
Distribution fees	7,092	5,134
Commissions on guarantees	59,439	24,366
Total	838,481	808,245
Current	823,148	808,245
Long term	15,333	-

b. Sundry

	30/09/2019	31/12/2018
Deferred tax assets - IR/CS (Note 18)	4,679,790	4,788,144
Deferred tax assets - Others	217,582	303,508
Sundry - Brazil	301,624	190,510
Judicial deposits	1,087,531	1,055,774
Taxes to offset	188,496	231,086
Securities and credits receivable		
With loan characteristics (Note 10(b))	75,817	41,491
Without loan characteristics	374,049	236,306
Advance to suppliers	-	283
Other	16,900	9,634
Total	6,941,789	6,856,736
Current	735,672	193,190
Long term	6,206,117	6,663,546

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13. Investments in subsidiaries, associates companies and jointly controlled entities

	Subsidiaries, associates and jointly controlled entities					
	Shareholders Equity		Net income (loss)		Equity interest	
	30/06/2019	31/12/2018	30/09/2019	30/09/2018	30/09/2019	31/12/2018
In Brazil						
BTG Pactual Asset Management S.A. DTVM	336,141	474,177	61,964	73,038	99.99%	99.99%
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	391,506	414,660	76,846	64,752	99.99%	99.99%
BTG Pactual Serviços Financeiros S.A. DTVM	81,971	59,366	22,605	8,704	99.99%	99.99%
BTG Pactual Holding Participações S.A.	10,829	10,771	469	489	99.99%	99.99%
BTG Pactual Holding Internacional S.A. (i)	7,972,596	8,535,015	707,154	929,137	99.99%	99.99%
BW Properties S.A.	460,114	482,518	1,003	987	42.72%	42.72%
Warehouse 1 Empreendimentos Imobiliários S.A.	-	27,214	-	(1,679)	0.00%	35.00%
BTG Pactual Holding de Seguros Ltda.	683,533	701,384	48,536	62,772	99.99%	99.99%
Pan Corretora S.A.	55,311	32,256	33,735	6,765	51.00%	51.00%
Banco Sistema S.A.	1,039,318	988,604	50,715	201,350	99.91%	99.91%
BTGP Corretora de Seguros S.A.	26,595	16,628	9,967	10,695	99.99%	99.99%
BTG Pactual Corretora de Resseguros Ltda	28,810	14,593	14,217	8,468	99.99%	99.99%
Jointly-controlled entities - In Brazil						
Banco Pan S.A.	4,830,817	4,095,919	348,366	147,890	39.50%	50.59%
Abroad						
BTG Pactual Overseas Corporation	31,817	29,395	216	(134)	99.99%	99.99%
BTG Pactual Chile Internacional Ltd.	9,062	6,951	1,492	1,935	99.99%	99.99%
Banco BTG Pactual Luxembourg S.A.	400,898	367,047	5,892	(20,676)	99.99%	99.99%
BTG Pactual S.A. Comisionista de Bolsa	1,498,368	156,480	10,013	10,111	99.99%	99.99%
BSI Limited (i)	1,498,368	1,586,964	(117,043)	(35,940)	100.00%	100.00%

(i) Refers to investment vehicle used by the Bank, to invest in EFG.

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	Changes in investments					
	30/09/2018	Aquisition / Increase / Transfer / (Sales)	Dividends paid	Equity pick up	Changes in accounting practices of associates	Foreign exchange
Subsidiaries and associates - In Brazil						
BTG Pactual Asset Management S.A. DTVM	474,175	-	(200,000)	61,964	-	-
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	414,661	-	(100,000)	76,846	-	-
BTG Pactual Serviços Financeiros S.A. DTVM	59,367	-	-	22,605	-	-
BTG Pactual Holding Participações S.A.	10,770	-	-	469	-	(411)
BTG Pactual Holding Internacional S.A. (iii)	7,986,754	(340,987)	(537,055)	707,154	-	153,761
BW Properties S.A.	202,472	(9,825)	-	428	3,490	-
Goodwill – BW Properties S.A.	2,322	-	-	-	-	-
Warehouse 1 Empreendimentos Imobiliários S.A.	8,491	(8,812)	-	321	-	-
BTG Pactual Holding de Seguros Ltda.	710,705	24,000	(122,459)	39,207	28,781	-
BTGP Corretora de Seguros S.A.	16,627	-	-	9,966	-	-
Pan Corretora S.A.	16,450	-	(5,446)	17,205	-	-
Banco Sistema S.A.	987,688	-	-	50,668	-	-
BTG Pactual Corretora de Resseguros Ltda	14,593	-	-	14,217	-	-
Other	88,356	(5,411)	-	3,183	(7,587)	1,932
	10,993,431	(341,035)	(964,960)	1,004,233	24,684	155,282
Jointly-controlled entities - In Brazil						
Banco Pan S.A.	1,954,238	(347,717)	(57,808)	267,611	-	-
Negative goodwill - Pan S.A.	(279,990)	140,475	-	-	-	-
	1,674,248	(207,242)	(57,808)	267,611	-	-
Total	12,667,679	(548,277)	(1,022,768)	1,271,844	24,684	155,282
Abroad						
Pactual Overseas Corporation (ii)	29,395	-	-	216	-	2,206
BTG Pactual Chile Internacional Ltd. (ii)	6,952	-	-	1,493	-	428
Banco BTG Pactual Luxembourg S.A.	367,047	-	-	5,888	-	27,963
BTG Pactual S.A. Comisionista de Bolsa (ii)	-	-	-	-	-	-
BSI Limited (ii)	1,586,963	-	-	(117,043)	-	80,581
Goodwill - BSI Limited (ii)	343,130	-	-	(32,643)	-	18,397
	2,333,487	-	-	(142,089)	-	129,575
Total	15,001,166	(548,277)	(1,022,768)	1,129,755	24,684	284,857

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- (i) See note 2.
- (ii) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.
- (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 asset

	31/12/2018	Acquisitions / transfer	Changes in intangible assets		30/09/2019
			Amortization expenses	Exchange variation	
Other intangible assets					
Cost					
Softwares	138,255	2,912	-	1,175	142,342
Leasehold improvements	106,391	449	-	-	106,840
Amortization					
Softwares	(91,943)	-	(8,427)	(760)	(101,130)
Leasehold improvements	(70,364)	-	(5,798)	-	(76,162)
Total	82,339	3,361	(14,225)	415	71,890

The intangible asset amortization period is 5 years.

15.Fund raising and loans borrowings

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	25,748,362	17,517,294	7,072,496	1,043,948	14,556	100,068	24,428,302
Open market funding	33,952,598	29,801,845	3,522,042	506,770	-	121,941	37,218,696
Funds from securities issued and accepted	20,224,569	882,472	4,026,035	10,043,877	2,509,019	2,763,166	13,570,638
Loans and borrowings	3,948,040	550,916	499,107	165,912	71,155	2,660,950	4,934,416
Subordinated debts and subordinated debt eligible to equity	7,925,990	702,263	702,262	3,139,675	210,145	3,171,645	8,891,007
Total	91,799,559	49,454,790	15,821,942	14,900,182	2,804,875	8,817,770	89,043,059

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	371,435	371,435	-	-	-	-	273,448
Interbank deposits	1,012,869	233,116	674,072	5,800	-	99,881	943,845
Time deposits	24,364,058	16,912,743	6,398,424	1,038,148	14,556	187	23,211,009
Total	25,748,362	17,517,294	7,072,496	1,043,948	14,556	100,068	24,428,302

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	3,925,780	3,379,544	546,236	-	-	-	2,438,985
Federal government bonds	2,736,684	2,733,516	3,168	-	-	-	1,445,409
Corporate bonds	1,189,096	646,028	543,068	-	-	-	993,576
Third-party portfolio	23,465,017	23,465,017	-	-	-	-	26,646,960
Federal government bonds	23,440,591	23,440,591	-	-	-	-	23,626,350
Corporate bonds	24,426	24,426	-	-	-	-	3,020,610
Unrestricted portfolio (i)	6,561,801	2,957,284	2,975,806	506,770	-	121,941	8,132,751
Federal government bonds	6,561,801	2,957,284	2,975,806	506,770	-	121,941	5,363,732
Corporate bonds	-	-	-	-	-	-	2,769,019
Total	33,952,598	29,801,845	3,522,042	506,770	-	121,941	37,218,696

- (i) From the unrestricted portfolio, R\$4,884,298 (December 31, 2018 – R\$7,778,647) refers to short position and R\$1,677,503 (December 31, 2018 – R\$755,471) to third-party portfolio.

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d. Fund 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	13,098,658	764,995	2,523,359	7,771,339	2,027,932	11,033	9,603,180
Financial bills	8,826,080	385,716	1,175,445	5,288,300	1,965,586	11,033	6,373,827
Mortgage bonds/letters of credit for agrobusiness	4,056,232	333,838	1,258,023	2,407,744	56,627	-	3,051,484
Structured transactions	216,346	45,441	89,891	75,295	5,719	-	177,869
Securities – abroad	7,125,911	117,477	1,502,676	2,272,538	481,087	2,752,133	3,967,458
Medium term notes (i)	3,600,704	-	1,417,785	2,182,919	-	-	3,625,363
Fixed rate notes and others	3,525,207	117,477	84,891	89,619	481,087	2,752,133	342,095
Total	20,224,569	882,472	4,026,035	10,043,877	2,509,019	2,763,166	13,570,638

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 a fixed rate between 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 16.5% p.a. (December 31, 2018 – between 2.4% p.a. and 13.6% p.a.).

e. Loans and borrowings

	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	1,213,822	550,916	498,537	164,369	-	-	2,182,435
Foreign currency	1,006,419	343,513	498,537	164,369	-	-	787,897
Loans abroad	207,403	207,403	-	-	-	-	1,394,538
Borrowings in Brazil – official institution	2,734,218	-	570	1,543	71,155	2,660,950	2,751,981
FINAME/BNDES	2,734,218	-	570	1,543	71,155	2,660,950	2,751,981
Total	3,948,040	550,916	499,107	165,912	71,155	2,660,950	4,934,416

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 equity

Type - original currency	30/09/2019					30/09/2018
	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	3,748,604	3,747,189
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,689,621	1,564,289
Subordinated debt eligible to equity - R\$	15,253	23/12/2014	09/03/2022	IPCA + 7.9%	27,991	25,607
Subordinated debt eligible to equity - US\$ (iii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	-	3,553,922
Subordinated debt eligible to equity - US\$ (ii)	600,000	15/02/2019	15/02/2029	7.75%	2,459,774	-
Total					7,925,990	8,891,007

- (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) On September 18, 2019, the callable option was settled.

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16. Other obligations

a. Social and statutory

	30/09/2019	31/12/2018
Dividends and profit sharing payable	-	604,500
Employees' profit sharing	326,067	248,518
Total	326,067	853,018
Current	326,067	853,018
Long-term	-	-

b. Tax and social security

	30/09/2019	31/12/2018
Tax and contributions to be collected	37,592	34,319
Tax and contribution payable (i)	79,830	140,045
Deferred income tax and social contribution (Note 18)	3,863	18
Total	121,285	174,382
Current	117,422	174,382
Long-term	3,863	-

c. Sundry

	30/09/2019	31/12/2018
Payable for acquisition of assets and rights (i)	193,787	1,015,537
Allowance for accounts payable	46,909	48,024
Payable - subject to loans operations	6,318	6,318
Provision for guarantees	142,581	209,766
Provision for contingent liabilities	1,099,783	1,056,418
Other creditors - Brazil	93,303	56,217
Other creditors - Abroad	-	2,064
Other	68	67
Total	1,582,749	2,394,411
Current	344,945	355,344
Long-term	1,237,804	2,039,067

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

a. Contingent assets

As at September 30, 2019 and December 31, 2018, the Bank did not record contingent assets.

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b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

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

ii. Civil provisions

For civil lawsuits with chances of unfavourable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on 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	legal	Labor	Total	Total
Balance at the beginning of the period	1,009,239	274	46,905	1,056,418	1,045,375
Recognition	38,129	5,047	2,500	45,676	45,247
Write-off / reversal	(2,008)	(303)	-	(2,311)	(45,914)
Balance at the end of the period	1,045,360	5,018	49,405	1,099,783	1,044,708
Provision for contingent liabilities (Note 16 (c))				1,099,783	1,044,708

The natures of the main provisions are presented below.

i. Suspended payment taxes and other taxes liabilities (Note 16b)

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.

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As at September 30, 2019, the Bank was part of 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.
- 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 .

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- 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.

ii. Provision for other contingent liabilities

As at the period ended September 30, 2019, and year ended 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
Tax base	432,406	(846,006)	2,374,722	(1,530,841)
Income before taxes and profit sharing	571,934	(220,949)	2,829,019	(780,464)
Statutory profit sharing	(139,528)	(32,609)	(454,297)	(158,282)
Interest on equity	-	(592,448)	-	(592,095)
Total charge of income tax and social contribution at the current rates	(172,962)	356,826	(949,889)	688,879
Permanent (additions) / deductions in taxation calculation	113,653	(430,012)	951,971	(927,275)
Equity pick up in subsidiaries and associates and jointly controlled companies in Brazil	120,835	161,769	409,395	494,004
Allowance for loan losses	(72,035)	(4,655)	(175,444)	(70,699)
Dividends	5,897	16,810	23,001	19,457
Fair value of securities and derivatives	58,956	(603,936)	695,019	(1,370,037)
Other non-deductible expenses net of non-taxable income	59,309	73,186	(2,082)	238,396
	-	-	-	-
Tax and social contribution expense	-	-	-	-
	-	-	-	-
(Expenses) / revenues from deferred taxes assets	188,731	520,397	(82,258)	1,430,009
Offset of tax losses carry forward - Brazil	188,731	520,397	(82,258)	1,430,009

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

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Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	31/12/2018	Recognition	Realization (i)	30/09/2019
Tax loss	1,068,272	500,170	-	1,568,442
Interest on equity	241,800	350,000	(481,800)	110,000
Allowance for loan losses	648,374	133,118	-	781,492
Marked-to-market valuation of securities and derivatives	2,489,416	-	(704,779)	1,784,637
Tax contingencies and provision for suspended-payment taxes	207,139	3,768	-	210,907
Other temporary differences	133,143	91,169	-	224,312
Total	4,788,144	1,078,225	(1,186,579)	4,679,790
Income tax and social contribution	31/12/2017	Recognition	Realization (i)	30/09/2018
Tax loss carryforward	711,461	434,416	-	1,145,877
Interest on equity	269,968	-	(134,968)	135,000
Allowance for loan losses	595,202	61,568	-	656,770
Marked-to-market valuation of securities and derivatives	1,931,260	1,114,092	-	3,045,352
Goodwill on the acquisition of investment	183,126	-	(3,445)	179,681
Tax contingencies and provision for suspended-payment taxes	194,324	-	(83,906)	110,418
	3,885,341	1,610,076	(222,319)	5,273,098

(i) On September 30, 2019, the amount of R\$18,914 (December 31, 2018 – R\$30,879), refers to recovery paid taxes from investments abroad.

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

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2019	388,149	482,719	870,868
2020	695,266	136,307	831,573
2021	513,062	139,671	652,733
2022	521,565	143,203	664,768
2023 onwards	993,305	666,543	1,659,848
	3,111,347	1,568,443	4,679,790
Present value	2,583,690	1,246,266	3,829,956

The Bank has deferred tax obligations in the amount of R\$3,863 (December 31, 2018 - R\$18) according to Note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

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.

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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 Assembly and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

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

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

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and board or shareholders meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Bank and (iii) conversion is in accordance with the Company'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 Company's 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 every six months at the rate of 5% of net income for the year, before any other allocation, limited to 20% of the capital.

d. Statutory reserve

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

e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

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f. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income 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.

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.

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	10,604	28,258	88,936	72,284
Technical services	224,503	89,019	480,993	302,583
Commission on the placement of securities	108,021	8,793	208,995	53,618
Guarantees granted	76,802	67,055	205,383	194,151
Other services	10,512	4,356	25,220	11,982
Total	430,442	197,481	1,009,527	634,618

21. Other operating income

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Adjustment to inflation of judicial deposits	10,909	21,140	30,911	50,431
Reversal of allowances	5,862	37,072	26,532	37,072
Exchange rate variation	350	363	706	1,490
Adjustments of receivables from sale	-	8,489	537	95,978
Other operating income	2,563	1,311	3,359	4,292
Total	19,684	68,375	62,045	189,263

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22. Other operating expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Guarantees granted allowances	-	2,597	17	2,302
Provision for contingent liabilities	20,781	13,611	42,840	31,592
Monetary restatement expense	17,856	19,158	52,250	56,267
Exchange rate variation	93	27	521	888
Allowance for other receivables without loan characteristics	13,666	10,609	38,123	34,669
Tax restatement expense	2,626	18,740	5,854	50,167
Adjustment of amounts payable for acquisition of investments	(1,507)	-	4,954	-
Discounts granted in renegotiation	-	-	-	19,199
Others	5,921	204	11,071	7,346
Total	59,436	64,946	155,630	202,430

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	108,569	69,234	186,733	248,942
Telecommunications and data processing	50,857	34,574	131,675	96,411
Leases and condominiums	15,158	12,507	43,771	37,066
Expenses of the financial system	21,893	15,298	59,122	41,178
Advertising and public relations	20,549	8,575	50,345	26,960
Depreciation/amortization	7,728	7,383	22,474	22,752
Others	14,440	20,930	26,035	32,945
Total	239,194	168,501	520,155	506,254

24. Tax charges

	Quarter ended:		Nine-month period ended:	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
PIS/COFINS	30,284	(15,361)	134,247	(68,249)
ISS	19,020	78,128	43,330	92,254
IOF	78	30	256	5,825
ICMS	7,135	-	20,265	-
Others	9,529	1,092	11,724	3,498
Total	66,046	63,889	209,822	33,328

25. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank.

Related-party balances, which are all carried at arms' length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018	30/09/2019	31/12/2018
Assets						
Open market investments	-	-	1,407,838	5,171,530	1,407,838	5,171,530
Interbank investments deposits	-	-	1,128,886	256,581	1,128,886	256,581
Securities	-	-	391,994	16,492,550	391,994	16,492,550
Derivative financial instruments	-	-	14,765,746	17,651,528	14,765,746	17,651,528
Loans and Receivables	3,526,527	3,167,665	-	946,831	3,526,527	4,114,496
Foreign exchange portfolio	-	-	133,511	4,381,015	133,511	4,381,015
Income Receivable	-	-	10,530	588,744	10,530	588,744
Securities trading and brokerage	-	-	284,183	326,570	284,183	326,570
Sundry	-	-	30,353	169,151	30,353	169,151
Prepaid expenses	-	-	-	150	-	150
Liabilities						
Interbank deposits	-	-	(246,096)	(643,394)	(246,096)	(643,394)
Deposits	(118,312)	(32,251)	-	(5,774,108)	(118,312)	(5,806,359)
Open market funding	-	-	(3,944,808)	(1,166,086)	(3,944,808)	(1,166,086)

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	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018	30/09/2019	31/12/2018
Funds from securities issued and accepted	(2,514,339)	-	-	(35,431)	(2,514,339)	(35,431)
Securities issued abroad	-	-	-	(30,158)	-	(30,158)
Derivative financial instruments	-	-	(8,927,742)	(24,724,930)	(8,927,742)	(24,724,930)
Foreign exchange portfolio	-	-	(481,649)	(4,374,744)	(481,649)	(4,374,744)
Securities trading and brokerage	-	-	(286,149)	(426,799)	(286,149)	(426,799)
Sundry	-	-	(21,129)	(81,452)	(21,129)	(81,452)
	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	-	-	14,332,213	16,502,509	14,332,213	16,502,509
Financial expenses	(12,960)	(12,654)	(13,645,101)	(19,385,050)	(13,658,061)	(19,397,704)
Other operating income	-	-	(58,096)	(13,801)	(58,096)	(13,801)

(i) Includes natural person.

Total compensation paid in the period to key management personnel totaling R\$10,620 (September 30, 2018 – R\$13,309) is considered a short-term benefit.

26. Other information

a. Cash and cash equivalents

	31/12/2018	31/12/2017
Balances as at beginning of period		
Cash at banks	354,764	3,674,112
Open market investments	23,479,214	17,581,854
Interbank deposits	2,172,110	1,190,324
Total	26,006,088	22,446,290
	30/09/2019	30/09/2018
Balances as at end of period		
Cash at banks	403,048	254,584
Open market investments	20,959,213	37,952,113
Interbank deposits	1,158,209	2,461,863
Total	22,520,470	40,668,560

b. Commitments and responsibilities

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

	30/09/2019	31/12/2018
Co-obligation and risks for guarantees granted	35,164,735	38,228,321
Responsibility for the management of funds and investment portfolio	19,438,568	17,106,877
Securities under custody	252,734,250	1,742,963,492
Securities trading and brokerage	3,365,397,719	1,550,828,085
Loans contracted to release	1,792,201	2,413,612
Commitments to be released	13,200	37,500

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

"Responsibility for the management of funds and investment portfolio" is recognized by the sum of the equity value of funds and investment portfolios.

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“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 loan contracts with clients to release.

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