

# **Consolidated Financial Statements**

## **Banco BTG Pactual S.A. and subsidiaries**

December 31, 2019

with independent auditor's report.

## **BANCO BTG PACTUAL S.A and subsidiaries**

### Consolidated financial statements

December 31, 2019

#### Contents

Independent auditors' report.....	1
Consolidated balance sheets.....	8
Consolidated statements of income .....	10
Statements of changes in shareholders' equity – parent company.....	11
Consolidated statements of cash flows.....	12
Consolidated statements of value added.....	13
Notes to the consolidated financial statements .....	14

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

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## **Independent auditor's report on the consolidated financial statements**

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

### **Opinion**

We have audited the consolidated financial statements of Banco BTG Pactual S.A. (Bank) and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BTG Pactual S.A. and subsidiaries as of December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

### **Basis for opinion**

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

### **Emphasis of matters**

#### Foreign subsidiary equity pickup

As mentioned on the consolidated financial statements footnote nº13, the Bank holds investments on EFG International ("EFG"), but has no timely access on the financial information of this subsidiary before its consolidated financial statements is released. Therefore, the equity pickup is recognized in a period longer than allowed by the rules from the Central Bank of Brazil, as well as any adjustment recorded by EFG will only be considered in a later period by the Bank. Our opinion is not qualified in respect of this matter.

### Tax credits recorded in jointly-controlled subsidiary

At December 31, 2019, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 3.4 billion, substantially recognized based on study of the current and future scenarios approved by the Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A. Our opinion is not qualified in respect of this matter.

### **Key audit matters**

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

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

### Fair value measurement of complex and illiquid financial instruments and derivatives

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

#### *How our audit addressed the matter*

Our audit procedures included, among others, the involvement of specialists in illiquid financial instruments pricing to assist us in the evaluation of the pricing methodologies and the assumptions considered by management in measuring the fair value of these instruments. In addition, we evaluated the adequacy of the disclosures on footnotes 8 and 9 to the Bank's consolidated financial statements. Based on the evidence obtained from the procedures performed on these complex and illiquid financial instruments and derivatives, which were consistent with management evaluation, we considered that the criteria and assumptions adopted by management on the fair value measurement of these complex and illiquid financial instruments and derivatives were adequate in the context of the consolidated financial statements taken as a whole.

### Allowance for loan losses

The Bank has a corporate credit portfolio, for which management uses its judgment in determining the allowance for loan losses in accordance with the CMN Resolution no. 2682/1999. We consider it as a key audit matter, due to the subjectivity involved in the determination of the allowance for loan losses, which requires the considerations of, among other factors, recoverable value of corresponding loans, both at the individual-loan and economic-group levels, financial-economic of counterparties, assessment of underlying guarantees, and credit-renegotiations.

#### *How our audit addressed the matter*

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

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

### Related party transactions

The Bank is part of an organizational structure with several legal entities, in Brazil and abroad. It carries out transactions with these related parties within its operations. Due to the number of related parties, the volume, and the inherent risk associated to these transactions, we considered them to be one of the key audit matters.

#### *How our audit addressed the matter*

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



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

#### Information technology (IT) environment

Because of the volume and complexity, the operations of the Bank are highly dependent on the proper functioning of the IT structures and its systems. Therefore, we considered the IT environment as one of the key audit matters.

#### *How our audit addressed the matter*

Our audit procedures included, among others, the involvement of IT experts in conducting tests of information technology general controls for processes of managing changes and access to the systems that we deemed relevant to the preparation of the consolidated financial statements. Our tests over design and operation of the information technology general controls considered relevant to the audit provided support to the nature, time and extent of our audit substantive testing.

#### **Other matters**

##### Separate financial statements

The Bank has prepared a full set of separate financial statements for the year ended December 31, 2019 in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, on which we issued an unqualified audit opinion, containing the same emphasis paragraph described above, dated February 13, 2019.

##### Consolidated Statement of value added

The consolidated statement of value added (SVA), for the year ended December 31, 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, was subject to the same audit procedures performed in conjunction with the audit of the consolidated financial statements of the Bank. For the purposes of forming our opinion, we evaluated whether this statement was reconciled with the consolidated financial statements and accounting records, as applicable, and whether their layout and content were in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, this consolidated statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and were consistent with the consolidated financial statements taken as a whole.

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

Other information consists of the information included in the Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process, and includes Management, Audit Committee and Board of Directors.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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



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

São Paulo, February 13, 2020.

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

  
Renata Zanotta Calçada  
Partner

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated balance sheets

As at December 31

(In thousands of reais)

	Note	2019	2018
Assets			
Current assets		125,502,603	102,096,050
Cash at banks	6	1,333,793	979,185
Short-term interbank investments	7	26,772,595	43,299,438
Open market investments		25,197,572	40,611,218
Interbank deposits		1,575,023	2,688,220
Securities and derivative financial instruments		45,312,499	26,062,423
Own portfolio	8	27,006,141	14,739,806
Subject to repurchase agreements	8	10,777,652	5,923,584
Subject to unrestricted repurchase agreements	8	442,381	30,823
Derivative financial instruments	9	2,053,042	2,678,010
Subject to guarantees	8	5,033,283	2,690,200
Interbank transactions		1,005,015	1,446,186
Deposits in the Central Bank of Brazil		1,005,015	1,446,186
Loans	10	10,980,353	7,363,671
Loans		11,148,988	7,535,511
Transferred loans with coobligation		614	300
Allowance for loan losses		(169,249)	(172,140)
Other receivables		39,802,393	22,710,490
Foreign exchange portfolio	11	33,278,871	17,425,255
Income receivable	12	1,084,188	927,264
Securities trading and brokerage	11	4,527,679	3,877,204
Sundry	12	1,158,588	505,344
Allowance for losses on other receivables	10	(246,933)	(24,577)
Other assets		295,955	234,657
Other assets		255,635	265,200
Prepaid expenses		120,827	50,781
Provision for losses on other assets		(80,507)	(81,324)
Long-term-assets		31,323,724	26,353,839
Long-term interbank investments	7	172,683	197,747
Open market investments		172,683	197,747
Securities and derivative financial instruments		3,723,007	3,929,281
Own portfolio	8	1,380,723	936,337
Derivative financial instruments	9	1,567,017	1,124,875
Subject to repurchase agreements	8	35,767	583,784
Subject to guarantees	8	739,500	1,284,285
Interbank transactions		154,843	189,446
Restricted credits – National Housing System		154,843	189,446
Loans	10	16,494,522	10,855,889
Loans		17,475,460	11,296,335
Transferred loans with coobligation		1,610	5,218
Allowance for loan losses		(982,548)	(445,664)
Other receivables		10,771,608	11,156,945
Income receivable	12	15,333	-
Sundry	12	10,756,275	11,475,108
Allowance for losses on other receivables	10	-	(318,163)
Other assets		7,061	24,531
Temporary investments		-	100
Prepaid expenses		7,061	24,431
Permanent assets		7,556,306	9,196,536
Investments		7,287,253	8,884,999
Investments in associates and jointly controlled entities - in Brazil	13	1,983,015	1,996,651
Investments in associates and jointly controlled entities - abroad	13	5,286,877	6,865,936
Other investments		22,783	26,969
Allowance for losses in investments		(5,422)	(4,557)
Property and equipment in use		78,163	79,601
Property in use		5,797	5,473
Other property and equipment in use		269,055	268,834
Accumulated depreciation		(196,689)	(194,706)
Intangible assets	14	190,890	231,936
Other intangible assets		473,614	497,919
Accumulated amortization		(282,724)	(265,983)
Total assets		164,382,633	137,646,425

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated balance sheets

As at December 31

(In thousands of reais)

	Note	2019	2018
Liabilities			
Current liabilities		105,589,078	87,410,057
Deposits	15	19,251,665	19,343,084
Demand deposits		624,855	287,303
Interbank deposits		151,338	294,814
Time deposits		18,475,472	18,760,967
Open market funding	15	34,643,099	35,183,034
Own portfolio		10,802,366	6,279,037
Third-party portfolio		19,170,982	22,077,242
Free trading portfolio		4,669,751	6,826,755
Funds from securities issued and accepted	15	5,326,075	3,038,973
Real estate, mortgage, credit and similar notes		3,774,114	2,794,574
Securities issued abroad		1,450,990	171,152
Certificates of structured transactions		100,971	73,247
Interbank transactions		155	6,804
Unsettled receipts and payments		155	6,804
Interdependencies transactions		40,349	74,926
Unsettled third party assets		40,349	74,926
Loans and borrowings	15	1,037,566	1,925,453
Loans abroad		1,014,347	1,823,487
Borrowings in Brazil		23,219	101,966
Derivative financial instruments	9	2,364,776	1,644,030
Derivative financial instruments		2,364,776	1,644,030
Other liabilities		42,925,393	26,193,753
Collection and payments of tax and similar charges		20,803	5,639
Foreign exchange portfolio	11	31,791,034	16,480,025
Social and statutory	16	1,516,506	1,231,290
Tax and social security	16	754,712	485,211
Securities trading and brokerage	11	4,834,929	5,200,827
Subordinated debt	15	1,434,229	1,667,853
Sundry	16	2,573,180	1,122,908
Long-term liabilities		36,886,105	31,122,733
Deposits	15	2,897,044	1,607,003
Interbank deposits		110,597	83,596
Time deposits		2,786,447	1,523,407
Open market funding	15	363,443	391,952
Third-party portfolio		-	147,110
Free trading portfolio		363,443	244,842
Funds from securities issued and accepted	15	17,394,404	11,357,330
Real estate, mortgage, credit and similar notes		9,371,264	6,611,552
Securities issued abroad		7,947,707	4,641,156
Certificates of structured transactions		75,433	104,622
Loans and borrowings	15	3,141,337	3,044,157
Loans abroad		423,251	358,948
Borrowings in Brazil		2,718,086	2,685,209
Derivative financial instruments	9	1,807,044	1,169,438
Derivative financial instruments		1,807,044	1,169,438
Other liabilities		11,282,833	13,552,853
Tax and social security	16	64,843	309,395
Subordinated debt	15	2,704,583	3,598,303
Debt instrument eligible to capital	15	3,340,755	3,579,529
Sundry	16	5,172,652	6,065,626
Deferred income		169,030	130,030
Non-controlling interest		351,785	138,671
Shareholders' equity	19	21,386,635	18,844,934
Capital		7,392,092	7,392,092
Capital Reserve		652,515	652,515
Asset valuation adjustment		9,194	103,187
Income reserves		13,498,618	10,825,684
Treasury shares		(165,784)	(128,544)
Total Liabilities and Shareholders' equity		164,382,633	137,646,425

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of income

Years ended December 31

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

	Note	2019	2018
Financial income		12,111,391	9,893,381
Loans		1,993,714	1,339,460
Securities		6,989,246	5,934,070
Derivative financial instruments		2,874,729	2,069,862
Foreign Exchange		174,968	435,618
Mandatory investments		78,734	114,371
Financial expenses		(7,333,432)	(7,092,925)
Funding operations		(5,464,324)	(5,318,077)
Borrowing and onlending		(1,489,759)	(1,628,772)
Allowance for loan losses and other receivables	10	(379,349)	(146,076)
Net financial income		4,777,959	2,800,456
Other operating income (expenses)		1,169,342	208,594
Income from services rendered	20	3,094,567	2,171,683
Personnel expenses		(822,552)	(776,780)
Other administrative expenses	23	(1,328,275)	(1,212,453)
Tax charges		(449,000)	(296,291)
Equity earnings of associates and jointly controlled entities	13	777,510	36,542
Other operating income	21	354,253	589,679
Other operating expenses	22	(457,161)	(303,786)
Operating income		5,947,301	3,009,050
Non-operating (expenses) / income		31,102	137,807
Income before taxation and profit sharing		5,978,403	3,146,857
Income tax and social contribution	18	(1,003,070)	(152,859)
Provision for income tax		(306,118)	(657,506)
Provision for social contribution		(220,530)	(589,337)
Deferred income tax and social contribution		(476,422)	1,093,984
Statutory profit sharing		(1,116,362)	(626,276)
Non-controlling interest		(30,659)	(6,938)
Net income for the year	19	3,828,312	2,360,784
Weighted average numbers of share outstanding		2,637,236,572	2,670,783,956
Net income per share - R\$		1.45	0.88

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Statements of changes in shareholders' equity – parent company

Years ended December 31

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

	Note	Income reserve					Asset valuation adjustment	Treasury shares	Retained earnings	Total
		Capital	Capital reserve	Legal	Unrealized	Statutory				
Balances as at December 31, 2017		7,392,092	652,515	1,181,507	2,803,820	6,417,364	114,992	(93,063)	-	18,469,227
Own shares acquired	19b	-	-	-	-	-	-	(328,085)	-	(328,085)
Cancellation of treasury shares	19b	-	-	-	-	(292,604)	-	292,604	-	-
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	403	403
Changes in fair value of assets available for sale		-	-	-	-	-	(52,241)	-	-	(52,241)
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	180,212	-	-	180,212
Currency translation adjustments		-	-	-	-	-	942,463	-	-	942,463
Foreign Investment hedge		-	-	-	-	-	(1,082,239)	-	-	(1,082,239)
Intermediate interest on equity (R\$0.22 per share)	19	-	-	-	-	-	-	-	(592,500)	(592,500)
Changes in accounting practices of associates		-	-	-	-	(503,057)	-	-	-	(503,057)
Net income for the year		-	-	-	-	-	-	-	2,360,784	2,360,784
Net income allocation		-	-	-	-	-	-	-	-	-
Income reserve		-	-	63,945	(131,045)	1,231,287	-	-	(1,164,187)	-
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	-	(604,500)	(604,500)
Balances as at December 31, 2018		<u>7,392,092</u>	<u>652,515</u>	<u>1,245,452</u>	<u>2,672,775</u>	<u>6,852,990</u>	<u>103,187</u>	<u>(128,544)</u>	<u>-</u>	<u>18,790,467</u>
Own shares acquired	19	-	-	-	-	-	-	(37,240)	-	(37,240)
Changes in fair value of assets available for sale		-	-	-	-	-	2,367	-	-	2,367
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	(60,445)	-	-	(60,445)
Currency translation adjustments		-	-	-	-	-	(36,970)	-	-	(36,970)
Exchange variation of investments		-	-	-	-	-	77,287	-	-	77,287
Foreign Investment hedge		-	-	-	-	-	(76,232)	-	-	(76,232)
Intermediate interest on equity (R\$0.24 per share)	19	-	-	-	-	-	-	-	(624,000)	(624,000)
Changes in accounting practices of associates		-	-	-	-	9,624	-	-	-	9,624
Net income for the year		-	-	-	-	-	-	-	3,828,312	3,828,312
Net income allocation		-	-	-	-	-	-	-	-	-
Income reserve		-	-	187,604	692,297	1,783,411	-	-	(2,663,312)	-
Interest on equity (R\$0.21 per share)	19	-	-	-	-	-	-	-	(541,000)	(541,000)
Balances as at December 31, 2019		<u>7,392,092</u>	<u>652,515</u>	<u>1,433,056</u>	<u>3,365,072</u>	<u>8,646,025</u>	<u>9,194</u>	<u>(165,784)</u>	<u>-</u>	<u>21,332,170</u>

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

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of cash flows

Years ended December 31

(In thousands of reais)

	Note	2019	2018
Operating activities			
Net income for the year		3,828,312	2,360,784
Adjustments to net income		1,117,218	194,018
Equity pick up from associates and jointly controlled entities	13	(777,510)	(36,542)
Interest expense with subordinated debt		1,372,634	1,347,933
Deferred income tax and social contribution		476,422	(1,093,984)
Permanent assets exchange variation		(13,382)	(80,072)
Depreciation and amortization	23	59,054	56,683
Adjusted net income for the year		4,945,530	2,554,802
(Increase)/decrease in operational activities			
Short-term interbank investments		11,056,740	(8,878,629)
Securities and derivative financial instruments		(18,067,062)	(3,043,534)
Loans		(9,255,315)	(5,193,357)
Other receivables and other assets		(17,226,821)	(1,135,773)
Interbank transactions		469,125	69,426
Interdependencies transactions		(34,577)	50,570
Other liabilities		15,286,744	4,730,523
Deferred income		39,000	9,457
Deposits		1,198,622	11,771,774
Open market funding		(568,444)	1,684,765
Loans and borrowings		(790,707)	239,685
Cash (used in) / provided by operating activities		(12,947,165)	2,859,709
Investing activities			
Sale of other investment		5,051	6,788
Acquisition / sale of equity interests	13	688,024	(346,595)
Dividends and interest on equity received	13	1,979,422	217,232
Acquisition / sale of property		(14,353)	(2,529)
Acquisition / sale of intangible assets	14	11,165	2,973
Cash provided by / (used in) by investing activities		2,669,309	(122,131)
Financing activities			
Acquisition of treasury shares	19b	(37,240)	(328,085)
Funds from securities issued and accepted		8,324,176	4,106,757
Subordinated debt and debt instrument eligible to equity		(2,738,753)	(1,862,794)
Non-controlling interest		213,114	6,264
Interest on equity	19f	(624,000)	(1,201,475)
Cash provided by financing activities		5,137,297	720,667
(Decrease) / Increase in cash and cash equivalents		(5,140,559)	3,458,245
Balance of cash and cash equivalents	25		
At the beginning of the year		26,659,250	23,201,005
At the end of the year		21,518,691	26,659,250
(Decrease) / Increase in cash and cash equivalents		(5,140,559)	3,458,245
Non-cash transaction		(538,633)	2,604,660
Interest on equity		(541,000)	(604,500)
Acquisition / Increase/ Transfer of equity interests		-	3,261,401
Changes in fair value of assets available for sale		2,367	(52,241)

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of value added

Years ended December 31

(In thousands of reais)

	Note	2019	2018
Income		15,205,958	12,488,764
Financial brokerage		12,111,391	9,893,381
Services rendered	20	3,094,567	2,171,683
Other		-	423,700
Expenses		(7,405,238)	(7,092,925)
Financial brokerage		(6,954,083)	(6,946,849)
Allowance for loan losses and other receivables	10	(379,349)	(146,076)
Other		(71,806)	-
Inputs acquired from third parties		(1,180,890)	(1,069,821)
Materials, energy and other		(13,380)	(12,950)
Outsourced services		(1,167,510)	(1,056,871)
Gross value added		6,619,830	4,326,018
Depreciation and amortization	23	(59,054)	(56,683)
Net value added produced by the entity		6,560,776	4,269,335
Value added received through transfer		777,510	36,542
Equity in the earnings of associates and jointly controlled entities		777,510	36,542
Value added to be distributed		7,338,286	4,305,877
Distribution of value added		7,338,286	4,305,877
Personnel		1,938,915	1,403,055
Direct compensation		1,666,729	1,172,758
Benefits		175,354	133,000
FGTS – government severance pay fund		96,832	96,552
Other		-	745
Taxes, fees and contributions		1,452,070	449,150
Federal		1,341,639	299,138
Municipal		110,431	150,012
Remuneration of third party capital		88,330	85,950
Rent expenses		88,330	85,950
Remuneration of shareholders		3,858,971	2,367,722
Retained earnings		2,663,312	1,164,187
Interest on equity		1,165,000	1,196,597
Non-controlling interest		30,659	6,938

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### **1. Operations**

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services relating to commercial, including exchange, investment portfolios, credit, financing, leasing, insurance and real estate loans.

Transactions are conducted by a group of institutions fully participating in the financial market, and may be intermediated by other institutions from the BTG Pactual Group.

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

#### **Application for Level 2 Adherence:**

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

### **2. Corporate reorganization and acquisitions**

#### **Corporate events**

On December 20, 2019, the Bank held a Board of Directors' meeting, in which approved the Novaportfolio Participações S.A.'s incorporation. The merger aims to simplify the current BTG Pactual's organizational structure through the consolidation of certain activities, therefore bringing an overall reduction on its financial and operational costs. The merger and its respective effects are still pending approval from the BACEN.

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

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

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

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

On October 26, 2018, BTG Pactual concluded a corporate reorganization through which 1,502,975,267 common shares and 449,356,340 Class B preferred shares of its issuance and held by BTG Pactual Holding S.A. - current direct controlling shareholder of the Bank - were contributed to the capital of BTG Pactual Holding Financeira Ltda., a company in which BTG Pactual Holding S.A. holds approximately 99.9% of the quotas representing its share capital, and whose corporate purpose is exclusively the equity interest in financial institutions and other institutions authorized by the Central Bank of Brazil.

The corporate reorganization aims to align BTG Pactual Holding S.A. structure, as provided for in applicable legislation, and did not entail any change in its participation in the Bank.

On November 2017, Banco Pan S.A. approved a capital increase in the amount of R\$400 million. Caixa Participações S.A. ("CaixaPar") assigned to the Bank its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on February 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.

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

On March 13, 2019, Caixapar notified the exercise of the right to acquire 50% of the shares subscribed by the Bank on November 2017, so that the total capital stock of the Company will be: (i) 41.7% for CAIXAPAR; (ii) 41.7% for BTG Pactual and (iii) 16.6% for minority shareholders. Due to the Banco Pan's primary and secondary public offering (of shares), the Bank's participation was diluted to 39.5%.

### **Acquisitions and disposals**

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

On September 3, 2019, the BTG Pactual Chile SpA. signed an equity purchase and sale agreement with DT Rigel S.A. and Vitacura Dos S.A. in order to sell your equity stake on BTG Pactual Chile S.A. Compañía de Seguros de Vida in the amount of UF1,8 million, of which is conditioned to the regulator's approval.

On July 19, 2019, the Bank acquired 80% of interest on Ourinvest Distribuidora de Títulos de Valores Mobiliários S.A., which will be maintained as a independent platform of BTG Pactual. The closing of the transaction is subject to verification of certain precedent conditions, including obtaining all necessary regulatory approvals, including from BACEN.

After the issuance of EFG International ("EFG") financial statements for the year ended December 31, 2017, on February 27, 2018, BTG Pactual became aware of EFG decision to change its accounting practices to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, the EFG recognized a reduction in its shareholders' equity corresponding to CHF493.9 million, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R\$503 million as a reduction of the Statutory Reserve.

### **3. Presentation of the financial statements**

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

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by BACEN, requires management to use its judgment to determine and record accounting estimates. Involving these estimates may result in amounts that differ from those estimated due to inherent uncertainties to its determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

The consolidated financial statements were approved by the Bank's management on February 13, 2020, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

### a. Consolidated financial statements

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

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

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

	Country	Equity interest - %	
		2019	2018
<b>Direct subsidiaries</b>			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	72.09	75.54
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual Cayman International Holding Limited	Cayman	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	-	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.91	99.91
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	70.00
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
ZB Consultoria Ltda	Brazil	99.99	99.99
<b>Indirect subsidiaries</b>			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	-	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00

## BANCO BTG PACTUAL S.A. and subsidiaries

### Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

	Country	Equity interest - %	
		2019	2018
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Chile S.A. Compañía de Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.97	99.70
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	99.97	99.70
Laurel Sociedad Gestora Profesional S.A.S	Colombia	100.00	100.00
BTG Pactual S.S. Soluciones y Servicios S.A.S.	Colombia	100.00	-
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	-	100.00
TTG Forestry Services LLC	USA	100.00	100.00
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	-	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Real Estate Luxembourg Holding S.A.	Luxembourg	-	100.00
BTG Pactual RE Income S.A.	Colombia	100.00	100.00
BTG Pactual Chile Asesorias Financieras	Chile	100.00	100.00
PFC Consultoria e Assessoria Empresarial Eireli	Brazil	100.00	100.00
BTG Pactual CTP Absolute Return	Cayman	100.00	100.00
Lutece Holdings Ltd.	Bermudas	100.00	100.00
Lutece Investment Management Ltd.	Bermudas	100.00	100.00
BTG Pactual Seguros S.A	Brazil	100.00	-
BTG Pactual Reinsurance Ltd.	Cayman	100.00	-
BTG Pactual Holding EFG Ltd.	Brazil	100.00	-
BTG Pactual (UK) Limited		100.00	-
<b>Investment funds</b>			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	100.00
BTGP Int Fund II SPC - BTGPH Corp Hedge	Brazil	100.00	100.00
BTG PACTUAL RED FIP - Multimercado Investimento no Exterior	Brazil	98.65	100.00
FIM CP Energy	Brazil	72.56	51.48
FIM CP Vitória Fidelis	Brazil	100.00	100.00
FIDC NP Alternative Assets II	Brazil	100.00	100.00
BTG Pactual SICAV - Mexico Equity Fund	Luxembourg	94.44	-
BTG Pactual SICAV- Latin America Equity Fund	Luxembourg	75.21	-
BTG Pactual Fondo Alfa Concentrado S.A. de C.V.	Mexico	90.00	-
BTG Pactual Absoluto Global Equities Inst FIA IE	Brazil	100.00	-
BTG Pactual Absoluto Global Equities FIA	Brazil	79.00	-
BTG Pactual Absoluto Global Equities	Brazil	82.24	-
SEEDLING FIP	Brazil	100.00	-
FIDC NP Alternative Assets III	Brazil	100.00	-
FIDC NP Precatórios Brasil	Brazil	100.00	-

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### **b. Functional currency**

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

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

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

## **4. Significant accounting practices**

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

### **a. Cash and cash equivalents**

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

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

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

### **c. Securities**

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### **i. Trading securities**

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

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

### **ii. Available for sale securities**

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded in profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in statements of income after the effective realization.

### **iii. Held-to-maturity securities**

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to the statements of income. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in statements of income as realized losses.

### **d. Derivative financial instruments**

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

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

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

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

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

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

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

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

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

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

### **f. Financial instruments – net presentation**

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

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

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### **h. Loans and other receivables (operations with credit characteristics)**

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

### **i. Allowance for loan losses**

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

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

### **j. Investment property**

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

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

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

### **k. Investments**

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements  
December 31, 2019  
(In thousands of reais, except otherwise indicated)

### **l. Foreign currency translation**

See note 3b.

### **m. Goodwill and negative goodwill**

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

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

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

### **n. Property and equipment in use and deferred charges**

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

### **o. Intangible assets**

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

### **p. Impairment on non-financial assets**

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

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### **q. Income tax and social contribution**

The provisions for income tax and social contribution are recorded based on accounting profits adjusted by additions and deductions according to the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 15% for social contribution. On November 12, 2019, the Constitutional Amendment was published. nº 103, which increased the Social Contribution Tax on Net Income of financial institutions from 15% to 20% of taxable income, effective as of March 1, 2020.

### **r. Contingent assets and liabilities, and legal, tax and social security obligations**

Recognized according to the criteria described below:

#### **i. Contingent assets**

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

#### **ii. Contingent liabilities**

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

#### **iii. Legal obligation – tax and social security**

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

#### **s. Earnings per share**

Calculated based on weighted average shares outstanding for the period.

#### **t. Revenue recognition**

Revenues and expenses are recorded under the accrual method.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### 5. Risk management

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

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

#### a. Operational limits

	2019	2018
Reference Shareholders' Equity	21,332,170	18,790,469
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	21,386,635	18,844,934
Tier I	17,819,468	13,073,230
Common Equity	17,431,374	9,519,308
Complementary Equity	388,094	3,553,922
Tier II	4,047,788	1,813,130
Reference Shareholders' Equity (PR) - (a)	21,867,256	14,886,360
Required Reference Shareholders' Equity (PRE)	17,707,521	7,751,994
Total exposure risk-weighted - (b)	146,344,008	89,878,195
Credit risk	70,166,108	52,997,712
Operational risk	5,938,507	4,370,623
Market risk	70,239,393	32,509,860
Basel ratio - (a/b)	14.9%	16.6%
Tier I capital	12.2%	14.6%
Tier II capital	2.7%	2.0%
Fixed assets ratio	86.0%	96.5%
Fixed assets to equity capital ratio	10,926,576	7,434,944
Status for fixed assets to equity capital ratio	9,397,233	7,176,296
Amount of margin (insufficiency)	1,529,343	258,648

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

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

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

As at the year ended December 31, 2019 and 2018, the Bank was in compliance with all operating limits.

### b. Market risk

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

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

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

In millions of R\$	December 2019	December 2018	December 2017
Daily average VaR	135.7	82.7	120.3

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### **c. Credit risk**

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

### **d. Liquidity risk**

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

### **e. Operational risk**

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

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

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

## **6. Cash at banks**

Cash at banks refers basically to deposits abroad in prime banks.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### 7. Interbank investments

	2019					2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	25,370,255	23,505,673	1,691,899	-	172,683	40,808,965
Own portfolio	2,705,434	2,230,880	324,340	-	150,214	12,334,671
Federal government bonds	2,305,020	2,018,581	286,439	-	-	12,051,604
Corporate bonds	322,402	180,558	37,901	-	103,943	226,991
Foreign private securities	-	-	-	-	-	55,368
Foreign government bonds	78,012	31,741	-	-	46,271	708
Third-party portfolio	19,895,611	19,298,110	575,032	-	22,469	22,105,908
Federal government bonds	19,860,436	19,279,081	575,032	-	6,323	21,877,628
Foreign private securities	-	-	-	-	-	69,094
Corporate bonds	16,146	-	-	-	16,146	159,186
Foreign government bonds	19,029	19,029	-	-	-	-
Short position	2,769,210	1,976,683	792,527	-	-	6,368,386
Federal government bonds	2,630,912	1,838,385	792,527	-	-	6,347,237
Corporate bonds	-	-	-	-	-	6,562
Foreign government bonds	138,298	138,298	-	-	-	14,587
Interbank investments (*)	1,575,023	1,533,506	41,517	-	-	2,688,220
Interbank deposit certificates	231,517	190,000	41,517	-	-	234,582
Investments in foreign currency - overnight	1,343,506	1,343,506	-	-	-	2,453,638
Total	26,945,278	25,039,179	1,733,416	-	172,683	43,497,185

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

The collateral received in repurchase agreements amounts to R\$26,148,224 (December 31, 2018 - R\$41,756,800), whereas the collateral granted amounts to R\$35,520,006 (December 31, 2018 - R\$37,373,792).

### 8. Securities

#### a. By type of portfolio

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

	2019							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	30,476,187	28,386,864	14,792,383	3,338,807	3,581,643	1,105,461	5,568,570	15,676,143
Federal government bonds	14,537,483	10,798,590	5,571,820	2,373,231	727,259	238,458	1,887,822	2,432,809
Debentures	2,678,699	2,659,706	111,814	189,160	645,865	497,944	1,214,923	601,725
Investment fund quotes								
Shares	300,426	338,851	321,294	-	-	-	17,557	59,686
Multimarket	2,385,031	2,371,825	1,815,994	-	279,102	-	276,729	2,411,183
FIDC - Credit Rights	84,178	86,914	-	-	1,618	-	85,296	141,459
Real Estate	182,562	156,794	1,093	-	-	-	155,701	133,476
Equity Investment fund	761,945	738,886	433,705	-	56,653	-	248,528	295,037
Shares	3,961,902	5,686,972	4,883,228	-	783,035	-	20,709	4,284,301
Certificate of real estate receivables	29,128	29,163	-	2,966	13,725	2,874	9,598	37,304
Certificate of bank deposits	2,962	2,972	-	2,972	-	-	-	-
Promissory note	5,174	5,174	5,174	-	-	-	-	-
Other	683,572	679,742	305,773	202,569	15,483	154,456	1,461	409,099
Foreign government bonds	1,400,255	1,335,531	74,610	343,444	847,876	19,949	49,652	2,389,178

## BANCO BTG PACTUAL S.A. and subsidiaries

### Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

	2019							2018
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Foreign private securities	3,462,870	3,495,744	1,267,878	224,465	211,027	191,780	1,600,594	2,480,886
Unrestricted portfolio	437,613	442,381	-	38,179	270,389	101,433	32,380	30,823
Federal government bonds	437,613	442,381	-	38,179	270,389	101,433	32,380	30,823
Subject to repurchase agreements	8,408,001	10,813,419	235,870	2,477,688	5,268,718	451,509	2,379,634	6,507,368
Federal government bonds	6,468,098	9,041,588	235,870	2,232,173	4,546,297	98,364	1,928,884	4,747,143
Foreign government bonds	343,524	343,525	-	-	170,193	-	173,332	703,074
Other	21,948	21,949	-	-	19,575	2,374	-	-
Foreign private securities	14,255	14,436	-	-	2,545	1,300	10,591	442,082
Debentures	1,560,176	1,391,921	-	245,515	530,108	349,471	266,827	615,069
Subject to guarantees	5,685,562	5,772,783	1,838,497	1,220,985	2,143,869	160,662	408,770	3,974,485
Federal government bonds	2,483,881	2,549,273	475,257	1,169,568	768,218	88,181	48,049	1,877,978
Investment fund quotes								
Multimarket	1,156,191	1,156,191	1,156,187	-	4	-	-	628,599
Debentures (i)	124,153	123,898	-	51,417	-	72,481	-	168,575
Certificate of real estate receivables	358,196	360,721	-	-	-	-	360,721	291,574
Shares	1,542,737	1,562,295	200,035	-	1,362,260	-	-	964,920
Foreign private securities	20,042	20,042	6,655	-	13,387	-	-	42,839
	362	363	363	-	-	-	-	-
Trading securities	40,330,294	40,735,778	16,805,873	4,612,857	10,033,800	1,632,155	7,651,093	18,739,877
Available for sale securities	1,272,244	1,274,844	60,877	81,495	207,301	186,910	738,261	3,242,955
Held-to-maturity securities	3,404,825	3,404,825	-	2,381,307	1,023,518	-	-	4,205,987
Total	45,007,363	45,415,447	16,866,750	7,075,659	11,264,619	1,819,065	8,389,354	26,188,819

### b. Trading securities

	2019							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	26,684,291	24,595,195	14,780,514	939,730	2,692,889	991,032	5,191,030	13,554,652
Federal government bonds	11,451,264	7,712,371	5,571,820	4,232	10,039	238,458	1,887,822	2,432,809
Debentures/Eurobonds	2,460,437	2,441,158	111,814	189,115	541,791	383,515	1,214,923	71,163
Investment fund quotes								
Shares	300,426	338,851	321,294	-	-	-	17,557	59,686
Multimarket	2,385,031	2,371,825	1,815,994	-	279,102	-	276,729	2,411,183
FIDC - Credit Rights	84,178	86,914	-	-	1,618	-	85,296	141,459
Real Estate	182,562	156,794	1,093	-	-	-	155,701	133,476
Equity Investment fund	593,214	570,286	433,705	-	56,653	-	79,928	108,925
Shares	3,894,442	5,619,512	4,883,228	-	715,575	-	20,709	3,936,990
Certificate of real estate receivables	29,128	29,163	-	2,966	13,725	2,874	9,598	233
Certificate of bank deposits	2,962	2,972	-	2,972	-	-	-	-
Promissory note	5,174	5,174	5,174	-	-	-	-	-
Other	682,885	679,483	305,773	202,569	15,483	154,456	1,202	10
Foreign government bonds	1,358,426	1,293,660	62,741	313,442	847,876	19,949	49,652	2,230,297
Foreign private securities	3,254,162	3,287,032	1,267,878	224,434	211,027	191,780	1,391,913	2,028,421
Unrestricted portfolio	437,613	442,381	-	38,179	270,389	101,433	32,380	30,823
Federal government bonds	437,613	442,381	-	38,179	270,389	101,433	32,380	30,823
Subject to repurchase agreements	8,372,791	10,777,652	235,870	2,477,688	5,232,951	451,509	2,379,634	2,557,697
Federal government bonds	6,468,098	9,041,588	235,870	2,232,173	4,546,297	98,364	1,928,884	1,412,541
Foreign government bonds	343,524	343,525	-	-	170,193	-	173,332	703,074
Other	21,948	21,949	-	-	19,575	2,374	-	-
Foreign private securities	14,255	14,436	-	-	2,545	1,300	10,591	442,082
Debentures	1,524,966	1,356,154	-	245,515	494,341	349,471	266,827	-
Subject to guarantees	4,835,599	4,920,550	1,789,489	1,157,260	1,837,571	88,181	48,049	2,596,705
Federal government bonds	2,165,275	2,230,667	475,257	1,157,260	461,920	88,181	48,049	1,006,593
Investment fund quotes								
Multimarket	1,107,183	1,107,183	1,107,179	-	4	-	-	582,353
Shares	1,542,737	1,562,295	200,035	-	1,362,260	-	-	964,920
Foreign private securities	20,042	20,042	6,655	-	13,387	-	-	42,839
Other	362	363	363	-	-	-	-	-
Total	40,330,294	40,735,778	16,805,873	4,612,857	10,033,800	1,632,155	7,651,093	18,739,877

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### c. Available-for-sale securities

	2019						2018
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years
Own portfolio	705,677	705,450	11,869	30,078	171,534	114,429	377,540
Investment fund quotes							
Equity investment fund	168,731	168,600	-	-	-	-	168,600
Shares	67,460	67,460	-	-	67,460	-	-
Debentures	218,262	218,548	-	45	104,074	114,429	-
Certificate of real estate receivables	-	-	-	-	-	-	-
Foreign government bonds	41,829	41,871	11,869	30,002	-	-	-
Foreign private securities	208,708	208,712	-	31	-	-	208,681
Other	687	259	-	-	-	-	259
Subject to repurchase agreements	35,210	35,767	-	-	35,767	-	-
Debentures	35,210	35,767	-	-	35,767	-	-
Subject to guarantees	531,357	533,627	49,008	51,417	-	72,481	360,721
Debentures	124,153	123,898	-	51,417	-	72,481	-
Investment fund quotes							
Multimarket	49,008	49,008	49,008	-	-	-	-
Certificate of real estate receivables	358,196	360,721	-	-	-	-	360,721
Total	1,272,244	1,274,844	60,877	81,495	207,301	186,910	738,261

### d. Held-to-maturity securities

	2019						2018
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	3,086,219	-	2,368,999	717,220	-	-	-
Federal government bonds	3,086,219	-	2,368,999	717,220	-	-	-
Subject to re purchase	-	-	-	-	-	-	3,334,602
Federal government bonds	-	-	-	-	-	-	3,334,602
Subject to guarantees	318,606	-	12,308	306,298	-	-	871,385
Federal government bonds	318,606	-	12,308	306,298	-	-	871,385
Total	3,404,825	-	2,381,307	1,023,518	-	-	4,205,987

If measured at fair value, held-to-maturity securities would be reported as at the year ended December 31, 2019 with a negative adjustment of R\$7,853 (December 31, 2018 – R\$42,870 positive).

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

### e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the year ended on December 31, 2019 and 2018.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### 9. Derivative financial instruments

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

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

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

As at the year ended December 31, 2019 and 2018, the bank strategy of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations, compared to the functional currency of the head office.

	2019		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	12,304,307	(76,232)	6,973,807
	2018		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	13,474,849	(1,082,239)	7,061,816

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

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

#### a. Recognized in memorandum and balance sheet accounts

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

	2019				2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	63,111,729	23,243,850	1,128,253	87,483,832	33,915,982
Currency	88,143	-	23,852	111,995	1,810,940
Interest rate	60,496,773	23,232,701	792,978	84,522,452	31,582,862
Index	2,101,598	-	311,423	2,413,021	450,917
Equities	-	-	-	-	71,263
Commodities	425,215	11,149	-	436,364	-
Short position	9,744,899	1,847,855	3,298,693	14,891,447	27,044,099
Currency	6,904,556	4,484	-	6,909,040	1,092,438
Interest rate	2,840,343	1,432,939	3,153,782	7,427,064	24,512,708
Index	-	410,432	144,911	555,343	994,745
Equities	-	-	-	-	444,208
Swap					
Long position	308,309,123	29,179,867	9,458,961	346,947,951	69,148,288
Currency	1,531	-	200,625	202,156	3,085,271
Interest rate	307,757,943	29,151,688	9,034,640	345,944,271	62,318,526
Index	4,694	23,284	126,434	154,412	422,816
Equities	409,773	1,131	97,262	508,166	2,016,917
Commodities	8,838	3,764	-	12,602	12,312
Other	126,344	-	-	126,344	1,292,446
Short position	308,309,123	29,179,867	9,458,961	346,947,951	69,148,288
Currency	280,201	6,102	402,767	689,070	3,921,538
Interest rate	306,564,590	29,053,493	8,061,229	343,679,312	60,815,690
Index	985,971	110,550	682,432	1,778,953	877,138
Equities	243,140	7,784	312,533	563,457	483,499
Commodities	3,985	-	-	3,985	-
Other	231,236	1,938	-	233,174	3,050,423
Credit Derivatives					
Long position	-	57,538	144,380	201,918	84,471
Sovereign	-	7,154	5,361	12,515	84,471
Corporate	-	50,384	139,019	189,403	-
Short position	-	-	88,101	88,101	250,176
Sovereign	-	-	-	-	91,252
Corporate	-	-	88,101	88,101	158,924
Non-deliverable forward - NDF					
Long position	17,850,461	5,043,445	1,962,915	24,856,821	48,024,872
Currency	17,188,855	4,560,710	438,469	22,188,034	41,828,922
Index	-	-	-	-	6,195,950
Commodities	661,606	482,735	1,524,446	2,668,787	-
Short position	17,850,461	5,043,445	1,962,915	24,856,821	48,024,872
Currency	17,188,855	4,560,710	438,469	22,188,034	33,731,120
Index	-	-	-	-	6,195,950
Commodities	661,606	482,735	1,524,446	2,668,787	-
Interest rate	-	-	-	-	8,085,278
Other	-	-	-	-	12,524
Security forwards					
Long position	105,338	-	-	105,338	-
Interest rate	81,449	-	-	81,449	-
Government bonds	23,889	-	-	23,889	-
Short position	105,338	-	-	105,338	-
Interest rate	23,889	-	-	23,889	-
Government bonds	81,449	-	-	81,449	-
Options market					
Call option - long position	120,783,470	421,924	243,623	121,449,017	7,420,902
Equities	326,297	306	26,697	353,300	1,783,677
Commodities	7,774,031	-	-	7,774,031	-

## BANCO BTG PACTUAL S.A. and subsidiaries

### Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

	2019				2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Currency	1,367,702	421,458	216,926	2,006,086	5,353,634
Index	111,315,440	160	-	111,315,600	204,545
Other	-	-	-	-	79,046
Put option - long position	35,542,016	672,602	497	36,215,115	69,754,811
Equities	2,851,212	199	-	2,851,411	4,047,293
Commodities	204,590	-	-	204,590	-
Index	29,660,844	212,610	-	29,873,454	-
Currency	2,825,370	459,793	497	3,285,660	20,108,993
Interest rate	-	-	-	-	45,598,525
Call option - short position	119,480,720	1,653,673	3,151	121,137,544	2,476,598
Equities	422,484	919	-	423,403	245,415
Commodities	7,809,187	5,855	1,375	7,816,417	-
Currency	755,059	205,105	1,776	961,940	1,983,164
Index	110,493,990	1,441,794	-	111,935,784	248,019
Put option - short position	36,492,136	243,642	497	36,736,275	64,264,616
Equities	300,984	199	-	301,183	243,357
Commodities	194,481	-	-	194,481	-
Index	34,434,494	212,685	-	34,647,179	441,088
Currency	1,562,177	30,758	497	1,593,432	16,435,600
Interest rate	-	-	-	-	47,144,571

### b. By cost and market value

	2019					2018
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	-	-	-	-	-	548
Short position	-	-	-	-	-	2,969
Swaps						
Long position	1,215,907	1,295,173	195,213	70,616	1,029,344	816,237
Short position	1,911,063	2,109,734	508,700	39,776	1,561,258	1,318,129
Credit derivatives						
Long position	(3,084)	19,757	-	1,792	17,965	13,054
Short position	7,814	4,620	3,746	-	874	12,311
Non-deliverable forward - NDF						
Long position	1,256,899	1,257,397	677,968	216,651	362,778	1,504,793
Short position	1,581,666	1,574,651	1,049,973	293,274	231,404	743,548
Security forwards						
Long position	105,334	105,531	105,531	-	-	300,971
Short position	105,324	105,418	105,418	-	-	298,746
Options market						
Long position	697,530	942,201	505,362	279,909	156,930	1,167,282
Short position	159,503	377,397	331,608	32,281	13,508	437,765
Long position	3,272,586	3,620,059	1,484,074	568,968	1,567,017	3,802,885
Short position	3,765,370	4,171,820	1,999,445	365,331	1,807,044	2,813,468

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### c. Notional by counterparty

	2019					2018
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	84,871,350	2,612,482	-	-	87,483,832	33,915,982
Short position	14,360,181	531,266	-	-	14,891,447	27,044,099
Swap						
Long position	429,599	345,273,663	1,223,247	21,442	346,947,951	69,148,288
Short position	429,599	345,273,663	1,223,247	21,442	346,947,951	69,148,288
Credit derivatives						
Long position	-	201,918	-	-	201,918	84,471
Short position	-	88,101	-	-	88,101	250,176
Non-deliverable forward - NDF						
Long position	-	17,132,488	7,721,284	3,049	24,856,821	48,024,872
Short position	-	17,132,488	7,721,284	3,049	24,856,821	48,024,872
Security forwards						
Long position	-	105,338	-	-	105,338	-
Short position	-	105,338	-	-	105,338	-
Options market						
Long position	139,787,073	17,636,532	10,470	230,057	157,664,132	77,175,713
Short position	146,987,456	10,712,255	37,143	136,965	157,873,819	66,741,214
<b>Long position</b>	<b>225,088,022</b>	<b>382,962,421</b>	<b>8,955,001</b>	<b>254,548</b>	<b>617,259,992</b>	<b>228,349,326</b>
<b>Short position</b>	<b>161,777,236</b>	<b>373,843,111</b>	<b>8,981,674</b>	<b>161,456</b>	<b>544,763,477</b>	<b>211,208,649</b>

(i) Includes investments funds.

### d. Credit derivatives

	2019	2018
Credit swap		
Transferred risk		
Sovereign	12,515	84,471
Corporate	189,403	-
Risk received		
Sovereign	-	(91,252)
Corporate	(88,101)	(158,924)
	<b>113,817</b>	<b>(165,705)</b>

During the year ended December 31, 2019 and 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 December 31, 2019 is R\$39,040 (December 31, 2018 – R\$21,318).

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### **e. Guarantee margins**

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$3,108,380 (December 31, 2018 – R\$2,413,113) and shares in the amount of R\$1,562,295 (December 31, 2018 – R\$964,919).

### **f. Fair value of financial instruments**

The fair values of financial instruments are calculated as follows:

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### 10.Loans

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

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

Loans and other operations with credit characteristics are as follows:

#### a. Loans

##### i. By type of credit

Type of credit	2019		2018	
	Balance	Allowance	Balance	Allowance
Loans	20,733,601	(1,053,385)	13,645,976	(538,625)
Financing	3,315,152	(84,719)	1,419,172	(64,786)
FINAME/BNDES	2,871,239	(13,693)	2,890,562	(14,393)
Securities financing	1,704,456	-	876,136	-
Transferred loans with co-obligations (i)	2,224	-	5,518	-
Total	28,626,672	(1,151,797)	18,837,364	(617,804)

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

##### ii. By risk level and maturity

Risk level	2019					2018		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	1,476	5,744,499	563,729	6,133,055	12,442,759	(2,208)	9,150,140	-
A	2,193	1,859,459	435,398	4,746,227	7,043,277	(37,776)	4,678,634	(23,394)
B	12	1,288,156	563,608	3,526,806	5,378,582	(66,721)	1,642,561	(16,426)
C	126	389,226	36,557	1,109,745	1,535,654	(56,103)	1,521,783	(75,582)
D	337	56,282	45,966	640,814	743,399	(165,290)	1,364,380	(293,854)
E	11,116	9,719	7,595	404,604	433,034	(156,577)	276,426	(82,928)
F	-	-	127,558	755,046	882,604	(514,725)	134,566	(74,368)
G	-	259	37	65,917	66,213	(51,247)	58,739	(41,117)
H	74	6,113	107	94,856	101,150	(101,150)	10,135	(10,135)
Total	15,334	9,353,713	1,780,555	17,477,070	28,626,672	(1,151,797)	18,837,364	(617,804)

##### iii. By activity sector

Sector	2019	2018
Commerce	5,053,234	2,609,460
Industry	3,790,087	2,977,475
Services	17,425,351	11,938,704
Rural	1,749,315	863,290
Individuals	608,685	448,435
Total	28,626,672	18,837,364

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

#### i. By risk level and maturity

Risk level	2019						2018	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	-	15,025	15,025	-	36,263	-
C	-	2,048	-	-	2,048	(61)	5,228	(157)
E	35,489	-	-	-	35,489	(13,773)	-	-
Total	35,489	2,048	-	15,025	52,562	(13,834)	41,491	(157)

#### ii. By activity sector

Sector	2019	2018
Services	50,514	36,262
Commerce	2,048	5,229
Total	52,562	41,491

### c. Advances in foreign exchange contracts

#### i. By risk level and maturity

Risk level	2019						2018	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	78,989	115,101	-	194,090	-	-	-
A	-	39,662	409,725	-	449,387	(2,217)	149,572	(782)
B	-	40,175	240,963	-	281,138	(2,718)	682,066	(6,731)
C	-	218,271	62,344	-	280,615	(8,463)	56,078	(1,896)
D	-	-	-	-	-	-	51,027	(14,111)
Total	-	377,097	828,133	-	1,205,230	(13,398)	938,743	(23,520)

#### ii. By activity sector

Sector	2019	2018
Industry	1,184,172	938,743
Commerce	21,058	-
Total	1,205,230	938,743

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### d. Credit concentration

	2019	%	2018	%
Largest debtors				
10 largest debtors	10,232,042	34%	8,579,481	43%
20 following largest debtors	5,162,441	17%	1,720,801	9%
50 following largest debtors	4,972,836	17%	2,446,034	12%
100 following largest debtors	4,757,499	16%	2,589,165	13%
200 following largest debtors	3,593,137	12%	2,597,991	13%
500 following largest debtors	1,145,846	4%	1,766,345	9%
Above 500 following largest debtors	20,663	0%	117,781	1%
Total	29,884,464	100%	19,817,598	100%

### e. Allowance

Changes in the allowance for loan losses and other receivables are as follows:

	2019	2018
Opening balances	(1,172,812)	(1,133,383)
Reversal/(accrual) of allowance	(379,349)	(146,076)
Provision transferred to credit portfolio	(140,628)	-
Credits written off as loss	35,519	195,727
Allowance for guarantees	137,418	(90,692)
Other	(6,836)	1,612
Closing balances	(1,526,688)	(1,172,812)
Breakdown of closing balances		
Allowance for loan losses	(1,151,797)	(617,804)
Allowance for other receivables	(219,701)	(319,063)
Allowance for other receivables without loan characteristics (Note 10 (b))	(13,834)	(157)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(13,398)	(23,520)
Allowance for guarantees	(127,958)	(212,268)
	(1,526,688)	(1,172,812)

### f. Renegotiation/recovery of credits written off as loss

As at December 31, 2019, the amount of R\$2,205,488 were due to credit renegotiation (December 31, 2018 – R\$1,701,795). Also in the year ended December 31, 2019 there were R\$35,739 written off loans recovered (December 31, 2018 – R\$80,451).

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### 11. Other receivables/obligations

#### a. Foreign Exchange portfolio

	11/07/1905		10/07/1905	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	9,218,587	23,693,950	1,946,655	15,272,557
Rights on foreign exchange sales	24,036,550	-	15,458,174	-
(-) Advances on foreign exchange contracts	25,389	(1,179,841)	20,697	(918,046)
(-) Advances in foreign currency received	-	-	(271)	-
(-) Advances in local currency received	(1,655)	-	-	-
Liability for foreign exchange purchase	-	9,276,925	-	2,125,514
Total	<u>33,278,871</u>	<u>31,791,034</u>	<u>17,425,255</u>	<u>16,480,025</u>
Current	33,278,871	31,791,034	17,425,255	16,480,025
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$1,102,108 (December 31, 2018 - R\$596,453).

#### b. Securities trading and brokerage

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	334,575	219,939	583,022	191,879
Unsettled financial assets / liabilities	641	705,270	17	731,423
Pending settlement	4,101,163	2,221,869	2,576,317	1,077,495
Creditors for stock loans	-	104,774	-	15,431
Other securities trading and brokerage	-	22,117	-	-
Commissions and brokerage payable	91,146	1,560,960	717,708	3,184,599
Swap brokerage	154	-	140	-
Total	<u>4,527,679</u>	<u>4,834,929</u>	<u>3,877,204</u>	<u>5,200,827</u>
Current	4,527,679	4,834,929	3,877,204	5,200,827
Long-term	-	-	-	-

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

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### 12. Other receivables

#### a. Income receivable

	2019	2018
Dividends and bonus	128,454	102,781
Receivables from services rendered	83,801	59,944
Rights on energy sales	198,669	104,764
Management and performance fees for investment funds and portfolio	658,265	630,119
Distribution fees	7,232	5,289
Commissions on guarantees	23,100	24,367
Total	1,099,521	927,264
Current	1,084,188	927,264
Long-term	15,333	-

#### b. Sundry

	2019	2018
Deferred tax assets - income and social contribution (note 18)	4,881,587	5,393,743
Deferred tax assets - Others	182,254	303,507
Sundry	1,467,704	1,493,016
Judicial deposits	1,762,213	1,627,949
Taxes recoverable to offset	757,972	735,333
Securities and credits receivable		
With loan characteristics (note 10 b)	52,562	41,491
Without loan characteristics	1,956,922	1,360,096
Investment properties	487,965	510,796
Salaries advances	34,476	33,830
Advance to suppliers	-	283
Other	331,208	480,408
Total	11,914,863	11,980,452
Current	1,158,588	505,344
Long-term	10,756,275	11,475,108

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

### 13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities					
	Shareholders' Equity		Net income (loss)		Interest	
	2019	2018	2019	2018	2019	2018
In Brazil						
Banco Pan S.A.	4,926,168	4,095,919	515,935	221,515	39.50%	50.59%
Warehouse 1 Empreendimentos Imobiliários S.A.	-	27,214	-	(1,679)	0.00%	35.00%
Pan Seguros S.A.	346,774	470,234	69,065	61,461	51.00%	51.00%
Pan Corretora S.A.	55,432	32,256	54,094	10,679	51.00%	51.00%
Abroad						
BTG Pactual Holding S.A.R.L.	5,651,699	8,416,839	1,088,642	468,019	41.03%	41.03%
Engelhart CTP Group S.A.	-	2,029,348	-	(594,667)	0.00%	19.03%
EFG International (i) (ii)	6,719,738	6,636,882	210,157	185,016	29.39%	29.75%

(i) On December 31, 2019, the equity on EFG include total return swap in the amount of CHF46,686.

(ii) The equity accounting result related to the investment in EFG recognized during the year ended December 31, 2019 comprises the income generated by the investee for the first half of 2019, as a result of the late disclosure of its financial information.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, otherwise indicated)

	Changes in investments							2019	Equity pickup from associates in 2018
	2018	Acquisition / Increase / Transfer / (Sales)	Dividends paid	Changes in investment accounting practices (iii)	Fair value adjustment (iv)	Exchange variation	Equity pickup from associates		
In Brazil									
Banco Pan S.A.	1,954,238	(347,717)	(78,931)	-	(2,502)	-	330,252	1,855,340	111,433
Negative Goodwill - Banco Pan	(225,530)	140,475	-	-	-	-	-	(85,055)	-
Warehouse 1 Empreendimentos Imobiliários S.A.	8,491	(8,812)	-	-	-	-	321	-	(3,526)
Pan Corretora S.A.	16,450	(10,322)	(5,446)	-	-	-	27,588	28,270	5,446
Pan Seguros S.A.	239,816	(51,000)	(47,882)	-	696	-	35,223	176,853	7,987
Other	3,186	4,551	-	-	-	-	(130)	7,607	(1,769)
<b>Total</b>	<b>1,996,651</b>	<b>(272,825)</b>	<b>(132,259)</b>	<b>-</b>	<b>(1,806)</b>	<b>-</b>	<b>393,254</b>	<b>1,983,015</b>	<b>119,571</b>
Abroad									
BTG Pactual Holding S.A.R.L. (i) (ii) (iii)	3,453,429	-	(1,750,963)	-	(26,836)	196,592	446,670	2,318,892	192,028
Engelhart CTP Group S.A. (i) (ii)	386,178	(416,261)	-	(7,587)	-	23,683	13,987	-	(113,550)
EFG International (i)	1,953,128	1,062	(96,200)	-	(58,491)	113,667	61,765	1,974,931	(29,366)
Goodwill - EFG International (i)	1,073,201	-	-	-	-	58,019	(138,166)	993,054	(132,141)
	<b>6,865,936</b>	<b>(415,199)</b>	<b>(1,847,163)</b>	<b>(7,587)</b>	<b>(85,327)</b>	<b>391,961</b>	<b>384,256</b>	<b>5,286,877</b>	<b>(83,029)</b>
<b>Total</b>	<b>8,862,587</b>	<b>(688,024)</b>	<b>(1,979,422)</b>	<b>(7,587)</b>	<b>(87,133)</b>	<b>391,961</b>	<b>777,510</b>	<b>7,269,892</b>	<b>36,542</b>

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

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

(ii) See note 2.

(iii) During the quarter ended on December 31, 2018, the agreements related to the sale of the Bank's indirect equity interest in the joint venture Petrobras Oil & Gas BV through BTG Pactual E & P BV were concluded. The asset in the amount of R\$ 4,079,122 (previously in Securities) was transferred to investments in associates and jointly controlled entities, reflecting the permanent nature of the participation.

## 14. Intangible assets

	Changes in Intangible assets				2019
	2018	Acquisitions / Transfer / Write off	Amortization expenses	Exchange variation	
Intangible assets					
Cost	497,919	(29,727)	-	5,422	473,614
Amortization	(265,983)	18,562	(35,058)	(245)	(282,724)
Total	<u>231,936</u>	<u>(11,165)</u>	<u>(35,058)</u>	<u>5,177</u>	<u>190,890</u>

The intangible assets amortization period is 5 years.

## 15. Fund raising and loans and onlending

### a. Summary

	2019						2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	22,148,709	13,064,447	6,187,218	2,777,782	119,262	-	20,950,087
Open market funding	35,006,542	32,556,635	2,086,464	248,880	-	114,563	35,574,986
Funds from securities issued and accepted	22,720,479	2,500,311	2,825,764	10,261,136	2,106,104	5,027,164	14,396,303
Loans and borrowings	4,178,903	381,689	655,877	163,784	68,503	2,909,050	4,969,610
Subordinated debts and subordinated debt eligible to equity	7,479,567	-	1,434,229	2,358,325	213,442	3,473,571	8,845,685
Total	<u>91,534,200</u>	<u>48,503,082</u>	<u>13,189,552</u>	<u>15,809,907</u>	<u>2,507,311</u>	<u>11,524,348</u>	<u>84,736,671</u>

### b. Deposits

	2019						2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	624,855	624,855	-	-	-	-	287,303
Interbank deposits	261,935	62,197	89,141	5,878	104,719	-	378,410
Time deposits	21,261,919	12,377,395	6,098,077	2,771,904	14,543	-	20,284,374
Total	<u>22,148,709</u>	<u>13,064,447</u>	<u>6,187,218</u>	<u>2,777,782</u>	<u>119,262</u>	<u>-</u>	<u>20,950,087</u>

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### c. Open market funding

Open market funding has collateral on the following securities:

	2019						2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	10,802,366	9,560,377	1,241,989	-	-	-	6,279,037
Federal government bonds	8,986,414	8,984,331	2,083	-	-	-	4,416,717
Corporate securities	1,421,883	181,977	1,239,906	-	-	-	956,632
Foreign securities	67,156	67,156	-	-	-	-	409,313
Foreign government bonds	326,913	326,913	-	-	-	-	496,375
Third-party portfolio	19,170,982	19,170,982	-	-	-	-	22,224,352
Federal government bonds	19,129,708	19,129,708	-	-	-	-	20,172,962
Corporate bonds	22,252	22,252	-	-	-	-	655,281
Foreign securities	6,317	6,317	-	-	-	-	1,396,109
Foreign government bonds	12,705	12,705	-	-	-	-	-
Unrestricted portfolio (i)	5,033,194	3,825,276	844,475	248,880	-	114,563	7,071,597
Federal government bonds	4,894,003	3,686,085	844,475	248,880	-	114,563	7,044,343
Foreign securities	87,741	87,741	-	-	-	-	8,230
Foreign government bonds	51,450	51,450	-	-	-	-	19,024
Total	35,006,542	32,556,635	2,086,464	248,880	-	114,563	35,574,986

(i) From the unrestricted portfolio, R\$3,556,112 (December 31, 2018 – R\$6,717,493) refers to short position and R\$269,164 (December 31, 2018 – R\$354,104) to third-party portfolio.

### d. Funds from securities issued and accepted

	2019						2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	13,321,782	1,163,758	2,711,327	8,125,694	1,309,682	11,321	9,583,995
Financial bills	8,992,294	383,692	1,542,419	5,791,595	1,263,267	11,321	6,338,228
Mortgage bonds/letters of credit for agribusiness	4,153,084	748,271	1,099,732	2,264,648	40,433	-	3,067,898
Certificates of structured transactions	176,404	31,795	69,176	69,451	5,982	-	177,869
Securities – abroad	9,398,697	1,336,553	114,437	2,135,442	796,422	5,015,843	4,812,308
Medium term notes	5,992,714	1,293,633	-	2,056,336	234,261	2,408,484	4,470,214
Fixed rate notes and others	3,405,983	42,920	114,437	79,106	562,161	2,607,359	342,094
Total	22,720,479	2,500,311	2,825,764	10,261,136	2,106,104	5,027,164	14,396,303

As at December 31, 2019, securities in Brazil were basically indexed o interest referenced rates (CDI) between 85% and 105% or inflation indexes (IPCA and IGPM) plus 1.6% p.a. to 7.55% 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 December 31, 2019, securities abroad have rates between 3.25% p.a. and 7.09% p.a. (December 31, 2018 – between 2.4% p.a. and 13.6% p.a.).

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### e. Loans and onlending

	2019						2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	1,437,598	375,288	639,059	161,022	-	262,229	2,182,435
Foreign currency	1,158,410	358,329	639,059	161,022	-	-	787,897
Loans abroad	279,188	16,959	-	-	-	262,229	1,394,538
Borrowings in Brazil	2,741,305	6,401	16,818	2,762	68,503	2,646,821	2,787,175
FINAME/BNDES	2,741,305	6,401	16,818	2,762	68,503	2,646,821	2,787,175
Total	4,178,903	381,689	655,877	163,784	68,503	2,909,050	4,969,610

On December 31, 2019, securities abroad have rates between 1.69% p.a. and 9.23% p.a. (December 31, 2018 – between 0.50% p.a. and 9.23% p.a.).

### f. Subordinated debt and debt instrument eligible to capital

Type - original currency	2019					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	2,137,312	3,701,867
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,616,839	1,564,289
Subordinated debt - CLP	391,410	01/01/2019	01/11/2028	2.40%	384,662	-
Subordinated debt eligible to equity - R\$	874,369	23/12/2014	15/04/2069	4.85% to 14.2%	914,266	-
Subordinated debt eligible to equity - US\$	1,300,000	18/09/2014	September 2019	8.75%	-	3,579,529
Subordinated debt eligible to equity - US\$ (ii)	600,000	15/02/2019	15/02/2029	7.75%	2,426,488	-
Total					7,479,567	8,845,685

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) On February 12, 2019, the Bank reported its shareholders and the market, the issuance of Subordinated Notes, issued through Cayman Islands branch, in the amount of US\$600,000 at a fixed coupon of 7.750% per year, with a maturity date of February 15, 2029, and callable in five years.
- (iii) The subordinated debt was issued by Banco BTG Pactual Chile S.A.
- (iv) On September 18, 2019, the callable option was settled.

## 16. Other obligations

### a. Social and statutory

	2019	2018
Dividends and profit sharing payable	547,197	607,971
Employees' profit sharing	969,309	623,319
Total	1,516,506	1,231,290
Current	1,516,506	1,231,290
Long term	-	-

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### b. Tax and social security

	2019	2018
Tax and contributions to be collected	102,617	101,386
Tax and contribution payable	644,141	613,749
Deferred social contribution and income tax (Note 18)	72,227	78,613
Deferred PIS and COFINS	570	858
Total	819,555	794,606
Current	754,712	485,211
Long term	64,843	309,395

### c. Sundry

	2019	2018
Payable for acquisition of assets and rights (i)	196,528	1,015,630
Accounts payable - personnel	509,298	327,064
Provision for contingent liabilities	1,687,195	1,648,713
Other creditors - Brazil	5,131,008	3,943,926
Other creditors - Abroad	70,923	20,937
Allowance for guarantees	127,958	212,268
Other	22,922	19,996
Total	7,745,832	7,188,534
Current	2,573,180	1,122,908
Long term	5,172,652	6,065,626

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

(ii) As described in note 2, the liability that came from Banco Pan's acquisition was transferred to the Holding.

## 17. Contingent assets and liabilities and legal obligations

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

### a. Contingent assets

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

### b. Contingent liabilities classified as probable losses and legal obligations

#### i. Labor provisions

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### ii. Civil provisions

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

### iii. Tax and social security provisions

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

### c. Breakdown and changes in provisions

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recorded for such proceedings at December 31, 2019 are appropriate to cover probable losses arising therefrom.

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

	2019				2018
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	1,472,178	125,611	50,924	1,648,713	2,053,233
Recognition	74,445	28,390	3,273	106,108	180,702
Write-off	(11,029)	(51,412)	(5,185)	(67,626)	(585,222)
Balance at the end of the year	1,535,594	102,589	49,012	1,687,195	1,648,713
Other contingencies and Provision for contingent liabilities (Note 16 (c))				1,687,195	1,648,713

The nature of the main provisions is presented below:

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

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

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

As at December 31, 2019, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, in which is questioned the levy and payment of social security contribution on these values and its deductibility on the income tax and social tax base. The amount claimed is R\$728 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\$1,818 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\$882 million, referring to 2012 events, where they believe happened the wrongfully use of goodwill originated from the Bank acquisition by UBS on 2006, also the goodwill from the repurchase by the Bank on 2009 and the goodwill originated in the private subscription of shares made by investors through the Copa Prince Company, in 2011. On October, 2019, the second administrative instance partially ruled as reasonable the cancelation of the goodwill generated on the private capital subscription made by investors through Copa Prince Company. An appeal was filed against the unfavorable piece. On December 2018, a tax assessment was received, in the amount of R\$440 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\$266 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.
- The Holding International S.A. received a tax assessment of income tax paid abroad and compensated in Brazil on 2012, in the total amount of R\$158 million. Against the notice, the Holding presented an administrative appeal, which awaits trial in first instance. On June 2018, Holding International was notified of the diligence result in first instance in which recognized the partial provenance of compensation of foreign earnings in the amount of R\$43 million. On December 2018, the first administrative instance judged the appeal of the Holding International as unfavorable. On September, 2019, the second administrative instance cancelled the assessment entirely. Furthermore, the Treasury Department didn't impose any interposition and the whole lawsuit was closed.

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

- 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\$193 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\$76 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\$1,100 million. Against the assessment, an appeal was presented, which awaits trial in second administrative instance.
- On December 2018, the Asset Manager received a tax assessment in total amount of R\$95 million for events that occurred in 2013 and 2014, regarding the amortized goodwill from the acquisition of BRFE in 2012. On September 2019 an unfavorable decision was ruled by the first instance court. Against this decision, and administrative appeal was presented on the second administrative instance.
- On December 2018, the Bank was made aware of the non-approval compensation of the negative balance of income tax, related to 2013, in the amount of R\$70 million. On June 2019 an unfavorable decision was ruled by the court on the first administrative instance. Against the decision, an appeal was presented, which awaits trial in second administrative instance. On March 2019, the Bank was made aware of the non-approval compensation of the negative balance of social contribution (CSLL), regarding the same year, in the amount of R\$66 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\$3,429 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 year ended December 31, 2019 and 2018, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### 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:

	2019	2018
<b>Income tax and social contribution</b>		
Tax base	4,859,790	1,323,986
Total charge of income tax and social contribution at the current rates	(1,943,916)	(595,793)
Permanent (additions) / deductions in taxation calculation	1,418,735	(651,050)
Equity pick up in associated and jointly controlled companies in Brazil	157,007	218,569
Interest on equity	452,328	-
Dividends	25,749	31,963
Fair value of securities and derivatives	941,023	(1,001,430)
Allowance for loan losses	(125,892)	(72,220)
Other non-deductible expenses net of non-taxable income	(31,480)	172,068
Tax and social contribution expense	(526,648)	(1,246,843)
(Expenses) / Revenues from deferred taxes	(476,422)	1,093,984
Total revenues / (expenses)	(1,003,070)	(152,859)

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

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

Income tax and social contribution	2018	Recognition	Realization (i)	2019
Tax loss	1,488,833	167,048	(316,133)	1,339,748
Interest on equity	241,800	243,450	(241,800)	243,450
Allowance for loan losses	669,902	253,258	-	923,160
Fair value of securities and derivatives	2,490,288	133,590	(941,023)	1,682,855
Tax contingencies and provision for suspended-payment taxes	213,633	27,774	(1,463)	239,944
Other temporary differences	289,287	163,143	-	452,430
Total	5,393,743	988,263	(1,500,419)	4,881,587
Income tax and social contribution	2017	Recognition	Realization (i)	2018
Tax loss carryforwards	977,349	532,670	(21,186)	1,488,833
Interest on equity	269,968	241,800	(269,968)	241,800
Allowance for loan losses	618,922	160,710	(109,730)	669,902
Fair value of securities and derivatives	1,931,453	1,601,043	(1,042,208)	2,490,288
Tax contingencies and provision for suspended-payment taxes	186,124	27,509	-	213,633
Other temporary differences	427,642	-	(138,355)	289,287
Total	4,411,458	2,563,732	(1,581,447)	5,393,743

(i) On December 31, 2019, the amount of R\$490,891 (December 31, 2018 – R\$293,979), 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:

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2020	995,203	328,932	1,324,135
2021	539,734	180,226	719,960
2022	617,982	169,198	787,180
2023	595,363	177,511	772,874
2024 onwards	793,558	483,880	1,277,438
Total	3,541,840	1,339,747	4,881,587
Present value	2,923,003	1,038,338	3,961,341

Deferred income tax and social contribution liabilities amounts to R\$72,227 (December 31, 2018 - R\$78,613), according to note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 6, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019. On November 12, 2019, the Constitutional Amendment was published. nº 103, which increased the Social Contribution Tax on Net Income of financial institutions from 15% to 20% of taxable income, effective as of March 1, 2020.

## 19.Shareholders equity

### a. Capital

As at December 31, 2019, fully subscribed and paid in capital consists of 2,637,236,572 shares (December 31, 2018 – 2,637,236,572), of which 1,731,276,922 are common shares (December 31, 2018 – 1,731,276,922), 556,603,310 are class A preferred shares (December 31, 2018 – 456,603,310), 349,356,340 are class B preferred shares (December 31, 2018 – 449,356,340), registered shares.

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

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

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

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

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

### **b. Treasury shares**

During the year ended December 31, 2019, the Bank bought its own units, in the amount of R\$37,240, equivalent to 730,500 units. (December 31, 2018 - R\$328,085, equivalent to 15,919,600 units). On the year ended December 31, 2019 the were no units cancelled (December 31, 2018 - R\$292,604, equivalent to 14,788,400 units cancelled). On December 31, 2019, 7,089,300 units were held in treasury, in the amount of R\$165,784.

### **c. Legal reserve**

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

### **d. Statutory reserve**

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

### **e. Unrealized income reserve**

Established considering undistributed dividends obtained in foreign branch.

### **f. Profit distribution**

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

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

On August 8, 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.

### g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income	
	2019	2018	2019	2018
<b>Banco BTG Pactual S.A.</b>	21,332,170	18,790,469	3,752,080	1,278,545
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A.(i)	54,465	54,465	-	-
Others (ii)	-	-	76,232	1,082,239
<b>Banco BTG Pactual S.A. Consolidated</b>	<u>21,386,635</u>	<u>18,844,934</u>	<u>3,828,312</u>	<u>2,360,784</u>

- (i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.
- (ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

## 20. Income from services rendered

	2019	2018
Management and performance fee from investment funds and portfolios	1,026,611	849,571
Professional services	993,292	626,140
Brokerage	331,783	222,101
Guarantees	281,557	252,368
Commission over securities placement	446,459	214,081
Other services	14,865	7,422
<b>Total</b>	<u>3,094,567</u>	<u>2,171,683</u>

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### 21. Other operating income

	2019	2018
Adjustment of amounts receivable for acquisition of investments	68,157	115,909
Foreign exchange rate gains	129,150	59,718
Reversal of provision - contingencies	62,843	295,990
Monetary correction over judicial deposits	59,330	85,913
Recovery of charges and expenses	3,687	1,236
Reversal of provision - other	16,484	7,513
Other operating income	14,602	23,400
Total	354,253	589,679

### 22. Other operating expenses

	2019	2018
Tax restatement expense	2,826	34,930
Foreign exchange rate losses	128,958	17,802
Allowance for other receivables without loan characteristics	46,890	53,291
Adjustment of amounts payable for acquisition of investments	89,512	55,279
Allowance for guarantee	17	2,587
Goodwill amortization	18,203	13,544
Provision for contingent	99,688	104,821
Discounts granted in credit renegotiation	27,335	19,940
Other	43,732	1,592
Total	457,161	303,786

### 23. Other administrative expenses

	2019	2018
Outsourced services and consulting	426,065	360,605
Telecommunications and data processing	344,932	268,707
Leases and condominiums	99,634	96,167
Expenses of the financial system	209,024	217,181
Advertising and public relations	105,947	67,314
Depreciation and amortization	59,054	56,683
Travel and lodging	56,311	45,841
Other	27,308	99,955
Total	1,328,275	1,212,453

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### 24. Related parties

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

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Interbank investments deposits	-	-	479,451	136,601	479,451	136,601
Derivative financial instruments	-	-	18,623	8,782	18,623	8,782
Loans and Receivables	3,319,030	3,167,665	-	-	3,319,030	3,167,665
Sundry	-	-	-	-	-	-
<b>Liabilities</b>						
Time deposits	(94,605)	(32,251)	-	(77,959)	(94,605)	(110,210)
Derivative financial instruments	-	-	(185,694)	-	(185,694)	-
Open market funding	-	-	(710,000)	-	(710,000)	-
Funds from securities issued and accepted	(2,468,477)	-	-	(30,158)	(2,468,477)	(30,158)
Sundry	-	-	(18,623)	(8,782)	(18,623)	(8,782)
	Parent company		Subsidiaries and joint controlled entities		Total	
	2019	2018	2019	2018	2019	2018
<b>Statements of income</b>						
Financial income	-	-	26,200	9,348	26,200	9,348
Financial expenses	(15,675)	(13,245)	(71,790)	(131,138)	(87,465)	(144,383)
Other operating income / (expenses)	16,998	-	(28,372)	-	(11,374)	-

(i) Includes natural person.

Total compensation paid to key management personnel totaling this period R\$14,500 (December 31, 2018 – R\$60,925) which is considered short term benefit.

### 25. Other information

#### a. Cash and cash equivalents

	2018	2017
<b>Balances at beginning of the year</b>		
Cash and cash equivalents	979,185	4,347,209
Open market investments	23,075,514	17,683,903
Interbank deposits	2,604,551	1,169,893
Total	26,659,250	23,201,005
	2019	2018
<b>Balances of end of the year</b>		
Cash and cash equivalents	1,333,793	979,185
Open market investments	18,651,392	23,075,514
Interbank deposits	1,533,506	2,604,551
Total	21,518,691	26,659,250

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2019

(In thousands of reais, except otherwise indicated)

### b. Commitments and responsibilities

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

	2019	2018
Co-obligation and risks for guarantees granted	37,263,529	36,834,176
Responsibility for the management of futures and investment portfolio (i)	288,127,182	224,021,170
Securities	58,843,624	41,286,789
Securities under custody	1,165,779,556	2,697,667,631
Securities trading and brokerage	5,138,223,360	1,009,734,796
Loans contract to release	1,786,924	2,413,612
Commitments to be released	11,000	37,500

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

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

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

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

"Loans contracted to release" register amounts related to loans contracted with clients to release.

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

## 26.Subsequent events

As at January 17, 2020, the sale of equity interest on BTG Pactual Chile S.A. Compañía de Seguros de Vida, as described on note 2, was approved.